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NEWS SUMMARY

Prince Charles to marry Lady Diana

Prince Charles is to marry Lady Diana Spencer, 19-year-old daughter of Earl Spencer, Buckingham Palace announced yesterday.

The wedding will take place in late July, but no exact date or place has been decided. After the wedding Lady Diana will become the Princess of Wales.

The Palace Press secretary said the Queen and the Duke of Edinburgh were delighted with the engagement.

Prince Charles, 32, proposed to Lady Diana over a private dinner at Buckingham Palace shortly before she left on a holiday in Australia earlier this month.

He said yesterday: "I wanted to give her a chance to think about it—to think if it was all going to be too awful."

A Privy Council meeting will be held later this year formally to approve the marriage.

Lady Diana's parents are divorced. Her father is now married to the former Lady Dartmouth, and her mother is now Mrs. Frances Shand-Kydd.

The engagement announcement did not go unnoticed on the stock market, where some sectors were boosted by prospects of a lively demand for royal wedding souvenirs. Shares of china manufacturers, Royal Worcester, jumped 23p to 293p.

Men and Matters, Page 14

GENERAL

Iran to try Briton for espionage

Iran will try British businessman Andrew Pyke as a spy, the revolutionary prosecutor said yesterday.

The three captive British missionaries are expected to be released in the next few days.

Farm policy row

The EEC's determination to curb the costs of the Common Agricultural Policy are in doubt after farm ministers attacked Commission proposals for tackling policy problems. Back Page

Labour break

Labour MPs who have joined the Council for Social Democracy are set to make a final break with the party early next week. Page 10

Missile explodes

A Pershing missile without its atomic warhead caught fire and exploded while being transported by road in West Germany.

Rome shooting

Two people were injured when shooting broke out in the arrival lounge at Rome's Fiumicino airport.

Magnet rail link

The National Exhibition Centre is to be linked with Birmingham airport by an advanced £2.8m magnetic levitation transport system. Page 7

Race equality

A women's Olympic marathon will be run for the first time at the 1984 Los Angeles Games.

Briefly . . .

Margaret Thatcher arrives in the U.S. today for talks with President Reagan. Page 4

Pope John Paul, visiting Tokyo, celebrated mass in Japanese.

Picket arrests in New Zealand sparked mass industrial walkouts. Page 3

BUSINESS

Sterling down 1.15c; gilts firm

● STERLING fell 1.15 cents to $2.2340. The easier trend in Eurosterling interest rates coupled with the sharp rise in Euromark rates left the pound at a premium against the D-mark for forward delivery. Its trade-weighted index fell to 99.5 (100.4). Page 21

● DOLLAR improved to DM 2.1160 (DM 2.1110). Its trade-weighted index rose to 99.8 (99.5). Page 21

● GOLD fell $1 to $501.5. Page 21

● GILTS again advanced on hopes of an MLR cut bigger than the 2 per cent previously expected. The Government Securities index put on 0.09 to 69.42. Page 24

● EQUITIES reflected gilts' improvement. The FT 30-share index put on 7.9 to 494.5. Page 24

● WALL STREET was up 2.18 to 947.41 near the close. Page 22

● STEEL QUOTAS agreed under the Common Market's emergency regime have been broken by some major European makers and the price war renewed. Back Page

● WEST GERMAN consortium arranging a DM 10bn credit with the USSR for a natural gas pipeline met to discuss doubts on the conditions prompted by sharp interest rate rises and abrupt changes in the German markets. Back Page

● BRITISH GAS's pay offer to 42,000 manual workers was improved from 9 to 10 per cent, but is unlikely to satisfy GMWU members.

● NATWEST increased its dividend 20 per cent in spite of its attributable profits being down 30 per cent to £142m on a CCA basis. Back Page and Lex; Details, Page 16

● COMMERCIAL UNION Assurance said severe underwriting losses in North America caused pre-tax profits to fall by a quarter to £103.2m. Back Page and Lex; Details, Page 16

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Treas. 12pc 1987	£98½	+ ½
Allebone	38	+ 5
BTR	398	+ 14
Birmingham Pallet	40	+ 4
Birmingham Mint	222	+ 17
Brown (J.)	75½	+ 5
Chubb	93	+ 4
Courtaulds	60	+ 4
Denbyware	94	+ 6
Distillers	190	+ 5
Gaskell Broadloom	65	+ 20
Grand Metropolitan	171	+ 5
Grindlays	172	+ 10
Hambro Life	340	+ 8
Lucas	174	+ 5
MEPC	240	+ 5
Majedie	114	+ 10
Rosehaugh	268	+ 15
Rothmans Intnl.	44½	+ 2½
Royal Worcester	293	+ 23
Standard Fireworks	97	+ 9
Standard Industrial	92	+ 6
Textured Jersey	94	+ 6
Thorn EMI	320	+ 16
Transparent Paper	31	+ 4
Trusthouse Forte	201	+ 8
Unilever	483	+ 10
Vantona	108	+ 10
Wade Potteries	51	+ 4
Wedgewood	73	+ 5
Shell Transport	406	+ 8
Malakoff	159	+ 15
Transvaal Cons.	£22¼	+ ¼

FALLS

Barclays Bank	388	− 8
Beecham	166	− 9
Bejam	111	− 7
Henlys	84	− 3½
Gold Fields SA	£25¼	− ¼
President Steyn	17¾	− ¼
Western Hldgs.	30¼	− ¼

Spanish Government regains control as political ranks close

BY ROBERT GRAHAM AND ROGER MATTHEWS IN MADRID

THE SPANISH Government, aided by the joint chiefs of staff of the armed forces, yesterday moved rapidly to restore its full authority following the collapse at midday of an attempt to impose a military junta.

The events of the past 24 hours can be expected to produce a closing of the political ranks but with a shift to the right.

The Government announced that it would hold a full session of Parliament today to continue business.

Proceedings were rudely interrupted on Monday evening when elements of the paramilitary civil guard burst into the chamber and held the 350 deputies hostage. They were voting in a second round vote of confidence to endorse Sr. Leopoldo Calvo Sotelo as Prime Minister.

King Juan Carlos, who played a big role in restoring order, kept in close touch with Government and armed services chiefs. He later spoke to President Ronald Reagan.

The officer responsible for the seizure, Colonel Antonio Tejero, a man previously sentenced for plotting to overthrow Spain's democracy, was taken into custody by the civil guard. The one army general who appeared to side with Colonel Tejero, General Jaime Milans del Bosch, the commander of the Valencia region, was last night summoned to Madrid by the joint chiefs of staff. He was expected to be stripped of his post and face further serious charges. He arrived in the early evening aboard a Mystere jet from Valencia.

It was also announced that one army officer, Major Pardo, of the crack Brunete armoured division based outside Madrid, had been arrested. Major Pardo arrived at the Parliament building soon after it was seized on Monday. Further arrests are expected, according to Government officials.

The 200 members of the Guardia Civil involved in the Parliament seizure were removed to barracks outside Madrid under guard. Several of the seized deputies said that at least some of the Guardia appeared not to have realised what they had let themselves in for. The bulk were drawn from the traffic police section although this is not particularly meaningful since this is sometimes a section to which dissident members are transferred.

The atmosphere throughout the country remained anxious but calm. The leading trade union organisations at first sought to call a series of nationwide protest strikes against the military action. But during the course of the morning union leaders changed their minds, apparently under pressure from the politicians who were afraid that large-scale public demonstrations might aggravate tension in the current delicate situation.

Last night there was still confusion over the nature of support for the abortive putsch. One Minister in the outgoing Government who was held hostage said: "It was a major affair with widescale repercussions," and strongly hinted that although no units outside

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Growth in jobless slows but vacancies decline

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

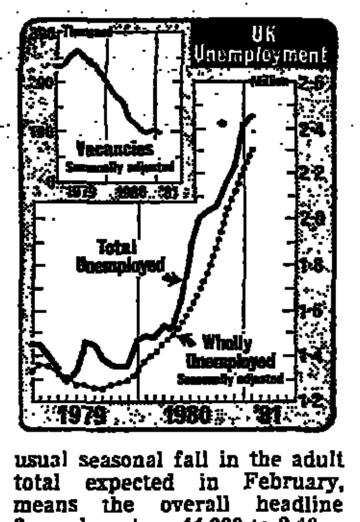
THE RATE of growth of unemployment has stopped accelerating though the increase in the past month was still very large and demand for labour remains weak. The level of vacancies has fallen after recovering slightly in December and January.

Department of Employment figures published yesterday show the number of adults out of work in the UK rose 78,500 in the month to mid-February —to 2.31m after adjusting for seasonal variations.

This is the smallest monthly increase since July and compares with rises of more than 100,000 in the last four months. The result is that 9.6 per cent of the adult workforce is unemployed.

Officials warn against reading too much into one month's figures and further increases are generally expected this year.

The number of school-leavers out of work fell 12,000 in the month to mid-February, to 90,000, but this is still 52,000 higher than a year ago.



The decline, coupled with the usual seasonal fall in the adult total expected in February, means the overall headline figure has risen 44,000 to 2.46m. This is equivalent to 10.2 per cent of the workforce.

The total would have been much higher but for the Government's special employment measures, which are keeping about 310,000 people off the unemployment register, according to revised official calculations.

In addition, a substantial number of workers who have lost their jobs have not registered as unemployed, particularly married women. This has reduced the rate of increase in the published total.

The only positive points this month are that the average number of people joining the register in the three months to January fell slightly — for the first time since April 1979 to 366,000 a month, while the number leaving the register rose to 280,000, the highest level for two years.

The most reliable forward indicator of labour market conditions — notified vacancies — is still low. The seasonally adjusted total fell 7,100 in the month to mid-February, to 96,000. This more than cancelled the small rise in the previous two months. The current total is the lowest since the series was started 20 years ago.

There is much additional evidence of weak demand for labour country-wide as companies continue to cut staff and few workers leave their jobs voluntarily.

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Tap runs dry on MLR hopes

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

FURTHER HOPES of a sizeable cut in Minimum Lending Rate in the Budget on March 10 produced strong demand for gilt-edged stocks yesterday and resulted in the unexpected sell-out of the 1986 tap issue.

At the same time, the Bank of England announced action to offset possible upward pressures on short-term interest rates in the money market over the next fortnight caused by gilt sales and, in particular, by the payment of more than £1bn in Petroleum Revenue Tax on Monday.

The banks' reserve asset ratio is to be reduced from 10 to 8 per cent between March 2-10. This ratio is the minimum level of certain specified assets (including money at call and some Government and commercial debt) as a percentage of banks' liabilities.

It was being officially stressed yesterday that the move was solely to prevent a short-term disturbance in the money markets and had no implications in any way for possible decisions on MLR or for changes in the system of monetary control, including the phasing-out of the ratio.

An announcement on these subjects is expected in the Budget although a decision about the size of the expected cut in MLR has not yet been made. A lot may depend on what happens to sterling in the next 10 days.

The exhaustion of the tap stock — 12 per cent Treasury, 1986 — surprised the market yesterday since much of the £1bn stock was thought to have been unsold. On this basis, an estimated £400m nominal may have gone yesterday at a price of £20¼ in its partly paid form.

The stock later rose to £20 9/16ths per cent. Elsewhere, there were gains of £⅝ in medium-dated issues and of £⅜ in longs.

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In Frankfurt yesterday overnight money market rates for Deutsche Marks soared to 25 per cent amid continued uncertainty about the implications of the Bundesbank's new intervention policy.

The uncertainty was only partially resolved when the German central bank disclosed that its new special Lombard Rate for Wednesday would be 12 per cent. No indication of the volume of funds was given.

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Reagan expresses interest in summit

By Jurek Martin, U.S. Editor, in Washington

President Reagan said yesterday he was "most interested," in President Brezhnev's invitation to take part in a superpower summit.

But he implied that no such meeting should occur until the Soviet Union had indicated it was ready to discuss its policy of supporting revolutionary movements, as in El Salvador, or before he had consulted fully with the American allies.

In an impromptu appearance at a budget briefing yesterday Mr. Reagan said he would ask Mrs. Thatcher, who arrives here for talks today, for her opinion of the Brezhnev suggestion, delivered to the opening session of the Soviet party congress in Moscow on Monday.

Mr. Reagan's comments were typically colloquial and, in their very imprecision, open to differing interpretations. It was not immediately clear if Mr. Reagan thought cessation of arms shipments to the El Salvador insurgents was a precondition for a summit, something to be negotiated directly with Mr. Brezhnev, or a combination of both.

All he said was that he wanted no set agenda for any summit, though it should include Soviet behaviour in far flung parts of the world, as well as central bilateral issues such as strategic arms limitation matters.

On Monday his administration had reacted cautiously, even caustically, to Mr. Brezhnev's speech. But yesterday morning a Press attache at the Soviet Embassy here made an unusual appearance on television to say that not only was Mr. Brezhnev serious about the idea but was also willing to "negotiate or renegotiate" the SALT Two Treaty signed by Presidents Carter and Brezhnev in 1979 but still unratified by the U.S. Senate.

Mr. Reagan then said: "I'm willing to negotiate if it's legitimate negotiation aimed at verifiable reductions, in particular of strategic weapons.

"I have also made it plain that at such a negotiating table, if and when such a negotiation takes place, there should be other considerations —what has been termed by Mr. Brezhnev "linkage."

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Government to give further £880m to BSC

BY HAZELL DUFFY, INDUSTRIAL CORRESPONDENT

THE GOVERNMENT yesterday committed another £880m to the British Steel Corporation and at the same time prepared to write off £3.509bn of the Corporation's capital and loans.

This means BSC will have received £2.551bn from the Government by the end of March 1982, making it the largest single recipient of government industrial aid.

At the same time, Mrs. Thatcher revealed in the Commons that, if the recovery plan was successful, the Government would want to denationalise the Corporation.

By repealing the existing requirement on BSC to meet all UK iron and steel needs, the Iron and Steel Bill, published yesterday, enables the Corporation to withdraw entirely from some areas of production.

Sir Keith Joseph, Industry Secretary, said after publication of the Bill that the Government was providing support for BSC against "the horrific background for the European public and private steel organisations. This has been particularly bad in this country where demand fell by 44 per cent last year."

Sir Keith also attempted to placate the growing worries of the private sector steel companies, which are being noisily voiced by Tory backbenchers, that they are suffering at the hands of the subsidised BSC. He has set up a commission to hear allegations of unfair pricing, and extracted promises from Mr. Ian MacGregor, BSC chairman, that he will play fair.

The injection of £880m of new funds into BSC is split into £150m for the current financial yar, bringing to £1.121bn the amount committed by the Government in 1980/81, and £730m for the year beginning April 1. In summer 1979, the Tory Government confirmed £700m which had been agreed by the previous government.

The capital reconstruction at BSC, which will be facilitated by the Bill, does not involve new money. The write-off, consisting of £3bn from BSC's capital and £509m of loans outstanding from the National Loans Fund, reflects the reduced value of BSC's assets in the light of the much reduced output over the past couple of years. Provision has also been made for another £1bn to be written off if BSC's profit expectations are not realised.

By agreeing to the injection of more money and the capital reconstruction (which saves BSC around £70m annually in interest charges), the Government has accepted almost totally the corporate plan submitted by Mr. Ian MacGregor, BSC chairman, in December.

HOW BSC WILL SPEND ITS STATE AID 1981/82

	£M
Capital expenditure	200
Increase in working capital	180
Redundancy and closure costs	180
Funding of operations*	170
Total	730

* Includes interest, disposals of assets and operating losses which after adjusting for items not involving the movement of funds, are principally depreciation.

Following the Government's success in setting up a joint venture last week between BSC and GKN, the Bill will make it easier to launch further ventures with the private sector.

Sir Keith hopes that between 15 and 25 per cent of BSC's activities could be associated with the private sector within the next 6 to 12 months.

Richard Evans, Lobby Editor, writes: Shortly before Sir Keith Joseph's statement to MPs, the Prime Minister said in the Commons: "One of the purposes of the money being injected into British Steel is to get it into a condition and a size at which it can be profitable . . . when it is, I think we can perhaps de-nationalise it."

The remarks followed criticism from Tory backbenchers at the Government's "excessively generous funding" of nationalised industries and fears that the beleaguered private sector would now come under even greater pressures.

The prospect of any meaningful early denationalisation appears remote. The Government's main aim for the remainder of this Parliament will be to see a slimmed down steel industry cease to be a burden on the taxpayer.

What Mrs. Thatcher appeared to be doing was to signal her own continuing enthusiasm for denationalisation, and to give encouragement to Conservative backbenchers who remain puzzled and uneasy about the trend of many Government policies and the apparent lack of a coherent industrial strategy.

Sir Keith's statement was heard with surprisingly few interruptions. Labour MPs gave their broad approval, apart from criticism of the additional redundancies, and Tories, although uneasy, saw little alternative to giving Mr. MacGregor the go-ahead.

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EEC steel exceeds quotas, Back Page

EUROPEAN NEWS

Why Franco's ghost still haunts Spain's politicians

BY ROBERT GRAHAM IN MADRID

THE MOST hallowed military ceremony in Spain is the swearing of allegiance to the national flag. A sergeant shouts in stentorian tones an oath committing each soldier to defend the homeland to the last drop of blood.

Just 24 hours before the armed occupation of the Cortes, the Spanish Parliament, several deputies made a show of taking part in the ceremony to demonstrate their identity with the armed forces. Yesterday morning, Sr. Luis Solana, a Socialist deputy who took part, was asked as he walked free, bleary-eyed from the Parliament, *whether he still felt the same* about the armed forces. "Yes, I am convinced the large majority of the armed forces are loyal to the constitution and democracy," he said. He added that he hoped those responsible for the abortive takeover would be duly punished.

Two questions about the armed forces were nagging Spaniards yesterday. First, was the occupation carried out by a fanatic fringe, or was there wider support which failed to materialise? Second, how will those responsible be punished, especially Colonel Antonio Tejero, the rebel Guardia Civil officer who took over Parliament, and General Jaime Milans del Bosch, the commander of the Third Military Region who took the initiative and declared a state of emergency in the Valencia region. The answers will not be immediate, but they will show the extent to which the military continue to be a major force in Spanish political life.

Even disregarding the events of the past 24 hours, the armed forces in Spain are the most politically active of all European countries. They were a pillar of Gen. Franco's regime, and this role was enshrined in Article 8 of the new constitution. This gave the armed forces what would appear to be legal justification to intervene as guarantor of the nation's sovereignty and constitutional rights. This Article was a concession by the political parties to the *amour propre* of the armed forces, but many politicians disliked it so long as the forces remained unreformed from the Franco era. Their basic ideology centred on a belief in the sacred unity of Spain, the virtues of a Catholic family, and firm centralised authority.

Gen. Milans del Bosch is now expected to argue that he was acting constitutionally in invoking a state of emergency. No matter that he might, in fact, have been a full party to the conspiracy.

The spectre of the military as the ultimate arbiter of Spain's destiny—as they have been on 25 occasions in the past 200 years—has haunted politicians during the transition period. For this reason, they have been treated with extreme wariness. The military themselves made it clear they opposed any radical changes in their heirarchy. When Gen. Gutierrez Mellado took over as Deputy Premier in charge of defence in 1977, his attempts to do this were greeted with hostility and at least three times with open insults.

As a result, the Government has been cautious about reforms. The reform of the antiquated code of military justice, which was to have been completed two years ago, is still unfinished; until last year, military courts were able to interfere in the distribution of films, plays, books and newspaper articles.

The ill-defined and sweeping offence of insulting the armed forces is still of extreme concern to newspaper editors.

Pressure from the military has also prevented full amnesty for the 400 officers who formed a democratic association under General Franco. Last August, plans to allow these officers back into the services were quietly dropped, and the Opposition raised little protest. Protest from the army also prevented an attempt to rationalise the two paramilitary police forces — the Guardia Civil and the Policia Nacional. Efforts to demilitarise the Guardia provoked the dismissal last April of its commander, General Pedro Fontenla, after his hostile comments on the proposed change.

Meanwhile the army, whether directly via the joint chiefs of staff or through the Guardia Civil and the police (Policia Nacional), has constantly sought to force the Government into tougher policies on the Basque country.

Equally revealing of the attitude of the political parties and the military themselves was the "galaxy plot"—the abortive plan in 1978 whereby a group of dissident Guardia and police, headed by Col. Tejero, were to hold the Cabinet to ransom and demand a government of "national salvation." Colonel Tejero was found guilty of sedition, as was one other officer, but was given the lightest possible sentence of six months' imprisonment (which he had served by the time of the trial), and he was allowed to keep his full rank. Questions of how sedition could be so lightly punished were not very loud in public. Yet it is precisely the failure to discipline Co. Tejero that is now under the microscope.

The same applies to Gen. Milans del Bosch, who has been *carpeted for insubordination* on more than one occasion.

Until now, the politicians seem to have acted with an exaggerated fear of the military — especially the Opposition Communists and Socialists. This, in turn, has given the military perhaps greater power than they actually possess. No one has openly called the military's bluff, and indeed King Juan Carlos last night in his message to the nation as Commander-in-Chief of the armed forces did not directly say that Spaniards were either for him and democracy or on the other side and against it. However, the general analysis before Monday's events was that the armed forces would throw their weight behind a military solution only when they, as an institution, felt directly threatened. This is certainly not the case, nor has it been so, and most people in the armed forces almost certainly realise this.

The armed forces further are not a monolithic group. A look at the voting pattern in a garrison town like the enclave of Ceuta in the 1979 election shows that 50 per cent voted for Sr. Adolfo Suarez, of the Union de Centro Democratico and 35 per cent for the Socialists, while Fuerza Nueva, the Fascist party of Sr. Blas Pinar, which likes to think it speaks for the military and endorses seditious editorials in the daily Al Alcazar, took only 4 per cent of the vote. It should also be stressed that Spain has a conscript force, which the Opposition parties regard as a good guarantee against military adventurism. Added to this the social composition of the officer class has become very much middle class, and the old Francoist divisions between military and civilian worlds are breaking down.

All this tends to stress the point that while the military may not like all that has happened since General Franco died, most know that things cannot be easily changed. The main concern is for proper modernisation and decent equipment. (General Franco left a fragmented command structure and much antique weaponry.) Those who want to put the clock back can count on very little real support when the chips are down. It is one thing for senior officers — and there are plenty of these with too little to do—to voice discontent and even to insult the King by turning his portrait to the wall in their messes or to give the Fascist salute on parade. It is quite another to get the tanks moving in the streets.

None of this answers the question about the degree of covert support for schemes of the ilkes of Colonel Tejero. But two indications of his chances of success on Monday are worth mentioning. The main armoured division protecting Madrid, whose support would be essential, had most of its units tied up in manoeuvres at Saragossa, 250 kilometres away. The nearest armoured unit with available fuel was in Burgos and they did not move.

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$500M EUROCREDIT GOES AHEAD

SYNDICATION of a $500m Eurocredit for Spain is proceeding unaffected by the abortive military coup, writes Peter Montagnon.

Lead managers of the credit, which is being co-ordinated by Bank of America and Manufacturers Hanover, have already raised $137.5m from other participants in the market. A sell-down of this size has established the credit as a success even if no further participations are forthcoming before syndication close on Friday.

Some smaller participants may reconsider their commitment in the light of the latest political developments but there is no sign so far of this having a significant impact. The credit bears a split ⅝-¾ per cent margin over London interbank rates of ½ per cent over the U.S. prime rate throughout its eight-year life.

Civil Guards watch impassively as freed MPs hug each other in the street outside Parliament

How the military pressure built up

18 MAY 1978: Lt-Gen. Vega Rodriguez, chief of army headquarters, resigns over Gen. Gutierrez Mellado's plans to restructure army.

19 NOVEMBER 1978: Galaxy Plot against the Government. Two officers arrested, including Lt-Col. Tejero.

5 JANUARY 1979: Tension in military after murder by ETA of Madrid Military Governor, Gen. Ortin Gil. Demonstrations follow funeral. King demands discipline.

14 JANUARY 1979: Gen. Prieto, forced to resign in 1977 after criticising Gen. Gutierrez Mellado, announces he will run for election to voice grievances of Guardia Civil and police.

14 FEBRUARY 1979: Navy Captain Camilo Menendez arrested for article in Fascist daily, El Alcazar. Previously punished for attending Fascist funeral and for insulting Gen. Gutierrez Mellado.

15 MAY 1979: Lt Col. Alonso Coello attacks Cadiz Civil Governor after car stolen. Insults the King.

29 MAY 1979: Gen. Atares absolved by Valencia court martial for insulting Gen. Gutierrez Mellado. Decision ratified by Gen. Milans del Bosch.

15 APRIL 1980: Gen. Fontenla dismissed for criticising decision to end military nature of Guardia Civil.

23 JULY 1980: Defence Minister Agustin Rodriguez Sahagun rejects army pressure allegations. Insists Government's own decision not to grant amnesty to Union Democratica Militar Officers.

19 NOVEMBER 1980: Rumblings in military after Col. Tagola dismissed for negligence when Greenpeace ship escapes from Ferrol. Admirals refuse to meet Sr. Suarez in Galicia.

11 DECEMBER 1980: Col. Recio, hardliner with much support from cadets, arrested for constantly picking on instructor at staff college.

10 FEBRUARY 1981: Gen. de Santiago publishes article in fascist daily asking for saviour for Spain. Opposition demands reprisals.

Strikes hit Catalan and Basque regions after coup bid

BY DAVID GARDNER

THE CATALAN and Basque regions of Spain were yesterday hit by partial strike action in response to Monday's abortive coup, despite attempts by the nationalist and local socialist parties to ensure absolute calm.

In Barcelona, the SEAT carworks and Pirelli factory were hit, and the dense industrial belt round the city was almost completely inactive in response to a two-day strike call on Monday night by the leading local trade union, the Workers Commissions. In Catalonia this union is controlled by the radical, so-called "Leninist" wing of the Communist Party.

In the Basque Contry, the response was uncharacteristically muted, following a night in which several politicians, trade unionists and journalists went underground until the situation stabilised.

Most large factories held mass meetings, but only in some of the larger plants along Bilbao's heavily-industrialised river and in the province of Alava, to the South, were these followed by strike action. Many of the stppages were only two hours long.

Demonstrations were called for last night by the extreme Left and radical nationalist groups in Barcelona and San Sebastian, in defiance of the ban on public gatherings, but both demonstrations were expected to be poorly attended.

The atmosphere in both regions — the furthest down the road in the autonomy programme which has contributed so notably to military disaffection — was reportedly a mixture of confusion and relief, though it is too early for the events of Monday night and yesterday morning to sink in.

One notable early response however, was the decision of the Catalan nationalist group in the Madrid parliament to change its vote and back Sr. Leopoldo Calvo Sotelo, the Premier-designate. The Catalan nationalists had abstained in the first round of voting last week, and intended to do so again yesterday.

The Basque Nationalist Party (PNV), which voted against Sr. Calvo Sotelo last week in the wake of the death in police custody of an ETA suspect, Sr. Jose Ignacio Arregui, had still to make their decision known last night, but it was thought that if the PNV vote was modified it would be towards abstention rather than approbation.

Political activity in both regions over the next few days is being deliberately focused on local institutions, to reaffirm regional identity and autonomy. The Catalan parliamentary parties have called on all municipal councils to hold plenary sessions before a full debate in the Catalan parliament tomorrow.

In Barcelona's industrial belt however, trade union-inspired local assemblies were due to be held last night, principally to decide whether to go ahead with the second day of the envisaged 48 hour stoppages.

The more muted response in the Basque Country may well prove to be short-lived, particularly in view of the likely response from the ETA guerrillas. Sources in radical nationalist groupings sympathetic to ETA's hardline military wing pointed out last night that while the outcome of the attempted coup was likely to strengthen the monarchy, it also, in their view, confirmed their analysis of the regime as a "militarised monarchy."

Aeroflot to introduce jumbo jet in Europe

By Leslie Colitt in Berlin

THE SOVIET UNION plans to introduce its new wide-bodied airliner, the Ilyushin-86, on external flights to Eastern Europe, although the aircraft is proving highly inefficient in its use of fuel, according to East European aviation officials.

Aeroflot, the Soviet airline, is said to be preparing to put the Il-86 into service on its prestige routes from Moscow to Warsaw, East Berlin and Prague, after two months of passenger service in the Soviet Union.

The East Europeans say that, on medium-haul flights within the Soviet Union, the Il-86 is carrying a much-reduced payload because of high fuel consumption and other problems with its four low-thrust engines.

The aircraft's introduction has been delayed for several years because of difficulties in engine design, and passenger capacity was scaled down to 350. The East Europeans report, however, that it has been restricted to well below this figure on its medium-haul routes to Soviet Central Asia. The Il-86 is expected to fly at full passenger capacity on East European routes, but will consume far more fuel than anticipated, cancelling the economies of the higher payload.

The first East European country to receive delivery of the Il-86 is likely to be Poland, as several components are Polish-made. The East German and Czechoslovak airlines are being urged to buy it, but they are reportedly unenthusiastic because of its performance.

This is especially serious for the smaller East European airlines, which pay higher prices for aviation fuel than Aeroflot, whose aircraft are frequently used to carry troops.

Western aviation experts say that the Soviet Union has recently resumed test flights of the TU-144 supersonic airliner, which was grounded in 1978. The aircraft has been fitted with more economical engines, and Aeroflot is testing it carrying freight on its route from Moscow to Chabarovsk in the Soviet Far East.

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Castro denounces U.S. threat of 'blockade'

BY DAVID SATTER IN MOSCOW

CUBA'S President, Sr. Fidel Castro, and Mr. Stanislaw Kania, the Polish Communist leader, yesterday introduced a sombre note at the Soviet Communist Party Congress in speeches in which each leader stated a determination to repel any threat to his party's rule.

Sr. Castro denounced U.S. "threats" to take "measures" against Cuba over Havana's alleged arms shipments to guerrillas in El Salvador. He said they would have no effect because "Cuba will not be brought to its knees."

The U.S. was threatening a military blockade and trying "other ways to wipe us off the face of the map but we will fight to the death," Sr. Castro said. No one could catch Cuban ships delivering arms in the area because "they do not exist."

Mr. Kania told the 5,000 assembled delegates in the Kremlin Palace of Congresses that the Polish Communist Party had "the will and the strength" to prevent a "counter-revolution" in Poland and he thanked the Soviet people for their "understanding and confidence that we will be able to solve our problems independently."

Mr. Kania said he understood that the Soviet Union and other "fraternal" parties felt anxiety about the social and political unrest in Poland but he said that the Polish party was aware of its "internationalist responsibility" to lead the country out of the present crisis.

Mr. Kania's emphasis on Poland's ability to solve its own problems was in marked contrast to the remarks on Monday of Mr. Leonid Brezhnev, the Soviet President, who said that the pillars of socialism in Poland were in jeopardy and the Soviet Union would not abandon Poland in its "hour of need."

It had been thought that Mr. Brezhnev might omit any mention of Poland as the situation there appears to be settling and independent trade unions had agreed on a 90-day period of industrial peace.

His remarks, however, clearly signalled continuing Soviet concern about events in Poland and Mr. Kania appeared to be trying partially to assuage this with assurances that Poland would remain a Socialist state and a firm ally of the Soviet Union.

"The situation in Poland and around it is firmly linked to the security of all socialist countries," Mr. Kania said, "its defence is the affair not only of each state, but of all the socialist coalition."

No full text of Mr. Kania's remarks was available yesterday but Mr. Kania's indirect reference to the "Brezhnev doctrine" according to which the Warsaw Pact countries have a right to intervene in a member country where socialism is threatened was seen as a possible concession to Soviet pressure.

Mr. Brezhnev, in his speech on Monday, made a non-committal reference to the Polish leadership's efforts to bring the situation in Poland under control and did not make any prediction that their efforts would succeed.

Mr. Kania (left) and Sr. Castro (right) await their turn to speak

Paris hails 'desire for dialogue'

FRANCE YESTERDAY welcomed the "desire for dialogue" expressed by President Leonid Brezhnev in his speech to the Congress, writes Robert Mauthner in Paris. However, officials regretted that his proposal on Afghanistan took no notice of the Western demand for withdrawal of Soviet troops. France considers this an essential pre-condition for further progress toward East-West detente.

The French are most interested in the offer to extend military confidence-building measures, such as advance notification of manoeuvres to the entire European region of the Soviet Union.

As far as West Germany is concerned, writes Roger Boyes in Bonn, the most welcome element in the speech was Mr. Brezhnev's willingness to hold talks with President Ronald Reagan. Without a dialogue between the two super powers, West Germany's ostpolitik is made extremely difficult.

Moscow's willingness to continue strategic arms talks is particularly encouraging for Chancellor Helmut Schmidt who is under pressure from the Left-wing of his party over stationing new U.S. nuclear weapons on West German soil.

The major "bear-trap" is the offer of a moratorium on the stationing of Euro-strategic nuclear weapons. This is seen as a way of at best freezing Soviet preponderance in medium range nuclear weapons.

There was a guarded reaction in London, agencies report. A Foreign Office statement said: "Mr. Brezhnev's speech contained much that was familiar and some new ideas which we shall have to look at carefully before coming to a view."

Overnight rates for D-Marks reach 25%

By Stewart Fleming in Frankfurt

OVERNIGHT money market interest rates for Deutsche Marks soared as high as 25 per cent yesterday amid continued uncertainty about the implications of the Bundesbank's new intervention policy.

This uncertainty was only partially resolved when the West German central bank disclosed that its new special Lombard rate for Wednesday would be 12 per cent. No indication was given about the volume of funds which would be available through this window.

Last week the Bundesbank changed the system under which it made credit automatically available to the banks against collateral at a fixed Lombard rate (recently 9 per cent). Partly to help the Deutsche Mark on the foreign exchanges, it announced the new special Lombard system.

Under this system, the interest rate and availability of Lombard credit can fluctuate daily.

It is partly because of the uncertainty surrounding the new system rather than a fundamental shortage of liquidity that D-Mark rates surged yesterday. As one banker remarked: "We are struggling to protect ourselves against unforeseen credit outflows. A customer could come in tomorrow and borrow DM 100m on overdraft. If I do not have the liquidity, I could find myself having to go out and buy Deutsche Marks at these high rates. We are at the beginning of a new system and learning to live with it."

Bankers said that rates as high as 25 per cent were the exception and that a more representative figure for overnight money was between 14 and 16 per cent. One-month money traded at a similar level, but, reflecting the uncertainty, the markets were thin.

It is clear, however, that West German interest rates in general are rising as a result of last week's moves. Thus the Association for Savings Banks in Hessen said yesterday that it expects to increase lending charges to top-quality business customers by three-quarters of a percentage point from current levels of between 11 and 12½ per cent.

In the foreign exchange markets the D-Mark again fluctuated sharply against the U.S. dollar with rates ranging from as low as DM 2.1390 to as high as DM 2.0860.

Polish demands for party democracy spread

BY CHRISTOPHER BOBINSKI IN WARSAW

THE RANK AND FILE movement for more democracy within Poland's Communist Party, is beginning to represent a real challenge to the party leadership's policies. The movement has spread to party organisation in at least seven major towns and is strong in large factories.

First Secretaries of grass-roots party organisations which are working for reforms are due to meet soon in Torunt to co-ordinate action. Their aim is to renew the party's links with the people and adjust its policies to reflect the changes in Polish society since last summer.

In the first move of its kind, representatives of the 3,000-strong party organisation at the Gdansk shipyard, the scene of crucial strikes last year, have elected three delegates for the forthcoming party congress. The last meeting of the party's Central Committee two weeks ago failed to announce the date of the Congress as it was supposed to.

Conservatives in the leadership are trying to delay the Congress in the hope that the ardour for reform will subside. By electing delegates ahead of any date being fixed by the leadership, the Gdansk shipyard organisation has challenged such delaying tactics and their action may well be followed by other party cells.

The shipyards also demanded that the Congress be held by May 15. The demand of the rank and file movement includes secret elections of party officials, strict control of officials by party members and more information for members on development within the party.

In another challenge to party hardliners, the Gdansk shipyard organisation elected Mr. Jan Labecki as its First Secretary. He delivered a hard-hitting speech at the Central Committee meeting criticising the slowness with which corrupt party functionaries were being expelled and describing a policy of confrontation with Solidarity, the independent union movement, as "political suicide." His speech was subsequently described as anti-socialist by Mr. Stefan Olszowski, a noted Conservative in the leadership.

Warsaw warns Bonn of 50% reduction in coal supplies

BY ROGER BOYES IN BONN

POLAND'S economic difficulties and its need for concrete Western assistance were underlined in Bonn yesterday by Mr. Henryk Kisiel, the Polish deputy Premier, who warned West Germany that it would have to make do with drastically reduced quantities of Polish coal this year.

Mr. Kisiel said Poland's coal exports to Germany would drop to 1.1m tonnes this year, down by more than 50 per cent from the 2.4m tonnes-a-year contract. Germany has been particularly concerned about Poland's coal production problems, partly because coal is one of the country's few reliable hard currency earners and partly because it is important to Germany's energy needs.

Warsaw had also committed itself to increased coal deliveries to Germany from 1986, in return for Bonn's guarantee of DM 400m of a DM 1.2bn (£253m) bank loan to last year.

However, the Polish Minister appears to have received an understanding response from Count Otto Lambsdorff, the Economics Minister, who promised to examine "sympathetically" Warsaw's wishes for a rescheduling of its Western debts.

Such a move would, however, have to be made in an international framework, and there would have to be clear signs that Poland's Warsaw Pact allies were also prepared to do their bit in easing its economic troubles.

Count Lambsdorff promised that Bonn would press for speedy completion of the EEC's food aid programme for Warsaw, which has met a number of delays.

Warsaw evidently hopes that a number of co-operation agreements between medium-sized German companies and Polish enterprises could help stimulate industrial investment in Poland and relieve some of its food supply problems. Thus Mr. Kisiel suggested that food processing deals could be reached with Germany, involving, for example, meat supplies which could then be processed and packaged, partly re-exported to Germany and partly used for Polish consumption.

But, while this suggestion was, again, sympathetically received by Count Lambsdorff and other senior Ministers, it begs the central question in German-Polish trade relations of how to restore the confidence of German businesses and banks in extending links with Poland.

That is why the coal deliveries issue is regarded as so crucial and why it was emphasised again during yesterday's talks. Poland's business partners have to be assured that contractual commitments will be kept.

Begin shows concern over White House foreign policy shift

BY DAVID LENNON IN TEL AVIV

MR. MENAHEM BEGIN, the Israeli Prime Minister, expressed disappointment yesterday over recent announcements from Washington that the Arab-Israel dispute was being downgraded in importance by the new U.S. Administration.

He was referring to remarks made last week by Mr. Alexander Haig, the Secretary of State, that the immediate concern of the Reagan Administration would be the domestic economy, and his country's relations with its neighbours.

But the implications of the new Administration's views for U.S. policy towards the Middle East were underlined yesterday when a State Department official said that the need to counter rising Soviet power—in the Middle East, as elsewhere—would take priority over efforts to revive Israeli-Egyptian talks on Palestinian autonomy.

Speaking to the Foreign Press Association in Jerusalem, Mr. Begin said: "I think the Middle East is one of the most strategic regions in the world. It is in turmoil and I think that it should be of great interest also to the free world. But of course, we can only express our opinions."

This was the first public indication by the Israeli leader that the new Administration in Washington, has been less responsive to Israel than had been hoped. There has already been some concern expressed here privately about the failure of the Foreign Minister, Mr. Yitzhak Shamir, to persuade the Americans to take an initiative to restart the stalled Palestinian autonomy talks.

Mr. Shamir pressed this issue during talks in Washington last week, with Mr. Haig, and has been told the issue cannot be dealt with immediately.

Alan Mackie adds from Cairo: President Sadat's third meeting with President Reagan has been postponed till the summer, a Cairo newspaper yesterday quoted the Egyptian Vice-President, Hosni Mubarak, as saying.

Mr. Sadat was to meet Mr. Reagan in Washington in late March or early April, but the visit has been pushed back to July or August, ostensibly to allow the new administration more time to shape its Middle East policy. In the meantime, Mr. Haig could visit the region in April, the newspaper said.

Kuwaiti moderates win easy election victory

BY PATRICK COCKBURN

MODERATE candidates have won a majority of the seats in the elections for new Kuwaiti Parliament held last Monday. Few Islamic fundamentalists, radicals or nationalists were elected to the 50-seat assembly.

The Parliament, suspended in 1976, was elected by 41,700 voters chosing from 450 candidates. The 59 per cent of Kuwait's population who are not citizens do not have the vote.

Most of the candidates belonging to the Shiah branch of Islam, who make up some 20 per cent of the Kuwaiti population, were defeated. They held 10 seats in the previous Parliament but only one or two in the new chamber.

New ministers will be appointed at the end of the week and it has been suggested that the present Oil Minister, Sheikh Ali Khalifa al Sabah, will become Finance Minister while retaining his present post.

Japanese sign for Iranian oil

By Patrick Cockburn

Ten Japanese companies have signed nine month contracts with Iran for the supply of 194,000 barrels a day of crude. The terms of the contract are similar to agreements reached by BP and Shell last month.

The Japanese will pay the official Iranian price of $36 to $37 a barrel with a premium of $1.80 over the first three months of the contract, according to the authoritative Middle East Economic Survey.

There will be no premium on the last six months of the contracts and 60 days credit, as is normal in Iran, is allowed to customers.

The Japanese companies which have already signed contracts are: Mitsubishi Shoji (400,000 barrels per day); Mitsui (30,000 b/d); C. Itoh (26,000 b/d); Marubeni (20,000 b/d); Idemitsu (18,000 b/d); Showa Oil (18,000 b/d); Kanematsu Gosho (12,000 b/d); Daikyo Oil (10,000 b/d); Sumitomo (10,000 b/d); Nissho-Iwai (10,000 b/d). Maruzen, Seibu Oil and Tomen are still negotiating their contracts.

BP and Shell, together with the Japanese, have been anxious to use the Iranian negotiations and Iran's relatively low premium compared to the rest of the Gulf, to put pressure on Kuwait which charges a premium of $5.50 a barrel on much of its oil.

K. K. Sharma writes from New Delhi: Dr. Ali Attiga, Secretary General of the Organisation of Arab Petroleum Exporting Countries (OAPEC), said yesterday that Third World countries would have to develop proper capital and money markets if they wanted to attract OAPEC investments.

He said that for oil producing countries with surplus funds, the profitable investment of their wealth would continue to be a first priority and the bulk of these funds would go to the industrialised countries.

Seoul prepares to cut its economic losses

President Chun Doo-Hwan is due to be elected President of South Korea today for a seven-year term of office. His first year in power, after the late President Park Chung-Hee was assassinated in Autumn 1979, was dominated by social unrest and violence. Now that the final economic figures for 1980 have been released, it is clear that the economic losses were no less shocking. **Richard Hanson** visited Seoul to assess the country's prospects.

THE POLITICAL turmoil and social strife which followed the late President Park Chung-hee's assassination less than a year and a half ago coincided rather grimly with South Korea's worst economic crisis in two decades. Political calm is returning as President Chun Doo hwan sets about legitimising his hold on the Government.

An ex-general, President Chun began his quest for power after the assassination in a coup now known as the "night of the generals." An electoral college will today name his President for another seven years.

President Chun, however, will still have to deal with a precariously unbalanced economy. Despite some signs that the worst of last year's recession may be over, it is now clear that the economy more urgently than ever needs a major overhaul. The excesses of planning in the 1970s have left the country with an economy highly susceptible to inflation, and vulnerable to outside pressures, whether they be oil prices rises or economic downturns in the West.

The Government has begun the "long march" towards restructuring and revitalising the sectors of the economy which otherwise might not survive competitively in the 1980s. It is also wrestling with inflation, which has been largely responsible for making South Korea's exports less attractive.

What is also clear is that the Government expects a large measure of additional sacrifice from an already battered labour force now entering its second year of painful cuts in real wages.

A principal task of the new regime will be to keep these economic strains from spilling over on to the streets. President Chun, having paid a successful visit to Washington, is in as strong a position as anyone could be to make sure peace prevails. This spring, however, with wage talks coming up, the possibility of student unrest could provide the first test.

Social unrest and violence dominated the news last year, but when the final economic tallies were released it became clear that the economic losses (though less bloody) were nearly as shocking. Inflation, a major strain even before President Park was assassinated late in autumn 1979, was roaring. Wholesale prices were up by 44 per cent, and consumer prices 35 per cent over a year earlier, according to official statistics. Certain household necessities were even more inflated. Exports managed to keep pace, exceeding the $17bn target for the year, but the economy had contracted 5.7 per cent in real terms, the first drop since the late 1950s. (From 1962 to 1979, real growth had averaged 9.2 per cent).

Unemployment reached around 5 per cent, or about 700,000 people, nearly equivalent to the number employed by South Korea's largest industry, textiles. The Government probably avoided serious disturbances in the latter part of the year simply because martial law was strictly enforced and tens of thousands of "miscreants" were being rounded up to be "purified," and in many cases put to work for the public good.

Not all sectors of the economy were in recession last year. The most notable exception is probably shipbuilding — it is claimed wide and it is claimed that order books are full into 1982. A mood of "export or die" saw South Korea's enterprising businessmen searching out new markets to make up for declines in traditionally strong areas, like construction in the Middle East, which fare poorly. These new sales helped prop up exports.

Perhaps the most important brace for South Korea, however, was the support shown by foreign bankers despite some grave misgivings during the darkest days of insurrection, foreign bankers, who provided South Korea with all the foreign exchange it needed to cover the heavy balance of payments deficit ($5.5bn) and supply other needs. South Korea obtained nearly $8bn last year, bringing its outstanding external debt up to $24bn.

The prowess of South Korea's credit managers was seen last autumn when, on 24 hours' notice, the Bank of Korea raised $170m in short-term funds from foreign banks in Seoul, whose staff queued in the chill morning to buy the "monetary stabilisation bonds" on offer.

The men who mapped out the industrial plans have been decidedly less successful than the financial managers. The problem, briefly, is that South Korea embarked—unwisely in retrospect—on a programme of building up heavy machinery and chemical industries in the mid-1970s. The motor industry is now running at about half capacity, a good example of the result.

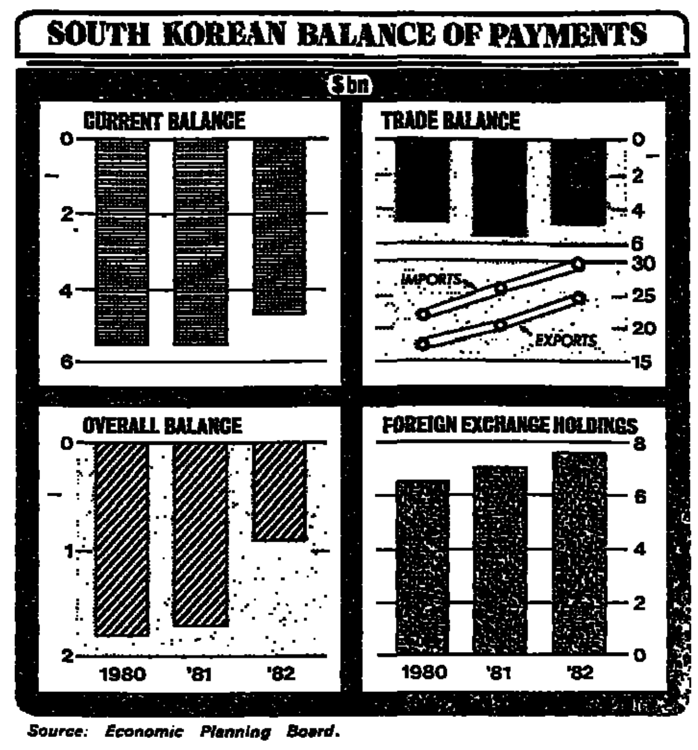
The emphasis now is on restructuring some of these industries. Cars and electric power equipment were selected last summer for redoing, but both attempts have fallen short, apparently because economic planners failed to foresee the complexities, especially when international companies are involved.

For all the problems, South Korea's prospects may not be all that bad. A Vice Minister in the Finance Ministry comments that South Korea's ability to manage itself through the worst of the past year, and remain on its feet, is ample proof of its ability to solve future problems.

It is also true that South Korea's Government is becoming more modest about its goals. The Government will be happy to see 5 to 6 per cent growth this year, which will just about restore the economy to 1979 levels of production.

The prospects for growth after that are uncertain, simply because so many things could go wrong both in South Korea and in the rest of the world. The next five-year plan tentatively hopes for growth of about 7.5 per cent a year up to 1986, very low by previous standards.

Meanwhile, workers are being asked to hold wage rises to about 15 per cent (10 per cent for government employees), despite projections that inflation could be as high as 25 per cent. Double-figure inflation appears likely to continue for two, three or even four years. This may be just about how long much of South Korea's industry will take to adjust itself to the longer term.



Source: Economic Planning Board.

New Zealand picket arrests spark mass industrial walkouts

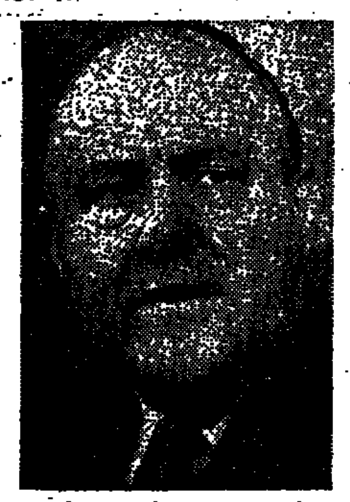
BY DAI HAYWARD IN WELLINGTON

AUCKLAND AIRPORT was shut down completely yesterday and dozens of companies and industries closed in a mass walkout by thousands of workers over the arrest of trade union pickets.

The situation threatens to become the most serious industrial upheaval in New Zealand for many years. Thousands of workers in key industries declared an immediate strike in angry reaction to the arrest of a hundred pickets at Auckland airport.

The pickets from the Airport Engineers Union which has been on strike for six days over a wage dispute formed a human barrier to step non-union labour, which has kept Air New Zealand flying during the strike, from getting to work.

Airport authorities ordered the pickets to leave a security area in the baggage-handling department. When they refused, police arrested them for trespassing.



Mr. Muldoon ... picket review promised

As news of the arrests was carried on radio news bulletins, people in many parts of the country stopped work. Hundreds of factory workers went to the airport to support the strikers.

Flights were disrupted, and when the airport firemen declared all inward and outward flights black the airport came to a complete halt.

The Federation of Labour has denounced the arrests and declared full support for the strikers and their right to picket.

Some of New Zealand's largest firms, including Pacific Steel, and Kawerau Pulp and Paper Mills—where 800 men stopped work—were affected by the walkouts.

Appeals from Mr. Jim Bolger, the Minister of Labour, for union leaders to keep calm and prevent further walkouts had little effect as additional unions and individual factories joined the protest walkout last night.

After talks with the unions Mr. Robert Muldoon, the Prime Minister, said last night that the law relating to picketing in New Zealand would be reviewed.

AMERICAN NEWS

Red Cross team assesses chances for Salvador aid

BY JOHN WYLES IN BRUSSELS

ELEVEN officials of the International Red Cross have been sent to El Salvador to find out whether humanitarian and food aid can be distributed free of the control of the ruling junta and of the Left-wing guerrillas.

Their report, due next week, could decide whether the European Community will go ahead with plans to put £1.33m of aid at the disposal of the Red Cross or whether it will bow to the U.S. view that the aid should be channelled through the Government of President Napoleon Duarte.

European Commission officials say that the Red Cross mission was planned before last week's tour of EEC capitals by President Reagan's envoy, Mr. Lawrence Eagleburger.

But the despatch of the Red Cross team was brought forward following Mr. Eagleburger's insistence that any aid would probably find its way to Left-wing guerrillas unless addressed to the El Salvador junta. The European Commission is seeking Red Cross guarantees of impartial distribution.

It is not yet clear whether Red Cross guarantees will satisfy EEC Governments. France, West Germany, Italy and Britain have all acknowledged the weight of evidence produced by the Reagan Administration of substantial Cuban and Soviet intereference on behalf of the El Salvador guerrillas.

The EEC has few direct interests at stake in the Salvador conflict but the Ten are keen to be seen to respond positively to the Reagan Administration's first elaborate efforts to consult its allies.

This could result in a decision to send the EEC aid direct to President Duarte if the alternative of handing it to the Red Cross is seen in Washington as a rebuff to President Reagan. For the moment however, the balance of opinion among the Ten appears tilted in favour of Red Cross distribution.

The aid package includes £208,000 in cash for purchases of medicines together with 2,000 tonnes of cereals, 700 tonnes of milk powder and 200 tonnes of butter oil worth just over £1m.

Rik Turner adds from Sao Paulo: General Vernon Walters, a special U.S. envoy, saw Brazil's President Joao Figueiredo on Monday to present evidence that Cuba and the Soviet Union were assisting the insurgents in El Salvador.

There was no immediate comment after the meeting, but last week Sr. Antonio Saraiva Guerreiro, the Brazilian Foreign Minister, stressed his country's policy of non-interference in the internal affairs of other nations.

However, the new Administration in Washington has shown signs of wanting closer relations with Brasilia, and at a time of economic difficulties in Brazil, support for the U.S. line on El Salvador could be seen as the price of economic assistance.

Mrs. Thatcher goes to sound out Reagan's policies

BY NICHOLAS COLCHESTER IN LONDON AND JUREK MARTIN IN WASHINGTON

THE MOST potentially controversial element in this week's talks between Mrs. Margaret Thatcher, the British Prime Minister, and members of President Ronald Reagan's Administration will be the status and details of the European initiative to resolve the Palestinian problem.

This could even detract in some small measure from the harmony which can otherwise be expected to prevail between the West's two most conservative heads of government.

Already some American conservatives and staunch supporters of Israel, using their favourite vehicles in the media, have sharply criticised the initiative and one of its principal architects, Lord Carrington, the British Foreign Secretary, who will be accompanying Mrs. Thatcher.

At the same time, the U.S. Administration also appears out of sympathy with the European view about the importance of the Palestinians. Mr. Alexander Haig, the Secretary of State, has gone on record as saying that the prime goal of U.S. Middle East policy should be to enhance the region's security against Soviet adventurism and that such "local" issues as the Palestinian problem are secondary considerations.

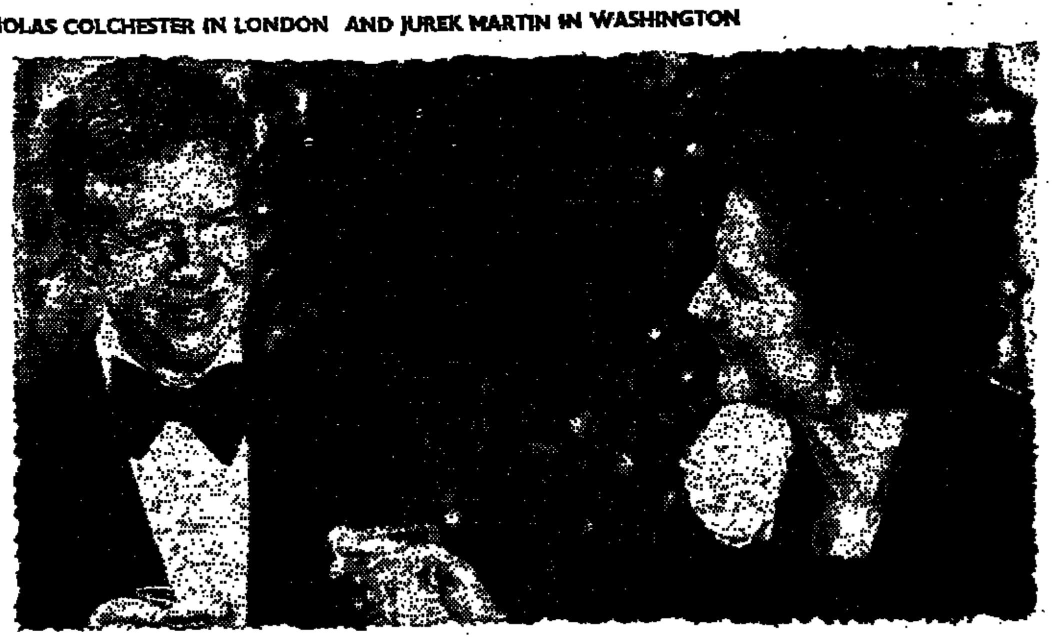
But Mr. Haig has also said America's friends in the area—Israel, Egypt and Saudi Arabia—should be given equal weight in framing an appropriate security policy.

The British and U.S. sides are both likely to accept that no practical movement is likely, on whatever front, before the Israeli elections in late spring. But both Mrs. Thatcher and Lord Carrington will want to try to find out how far American thinking has progressed.

It is generally true, the flurry of activity on El Salvador notwithstanding, that the Reagan Administration has been so preoccupied with its economic policies and so slow in making key foreign policy appointments that few observers have much sense yet of how the U.S. will address particular foreign problems.

The view in Whitehall is that U.S. foreign policy is still in a formative stage. Mrs. Thatcher and Lord Carrington are anxious to learn about it, form a view on it, and to some extent influence its development. There is concern in London too over the potential divergence of European and U.S. policies towards the Middle East. In the sphere of East-West relations, beyond the obvious questions of Poland and Afghanistan, the British want to sound the new Administration out on the Strategic Arms Limitation Treaty, on the final stages of the Madrid review of the Helsinki declaration, and on the deployment of Theatre Nuclear Forces.

Lord Carrington is particularly interested in the U.S. attitude to the independence of Namibia, a matter on which the new administration has expressed no clear view as yet. The British delegation will impress on the U.S. the significance of pursuing the five-power initiative to a successful conclusion.



Mrs. Thatcher in celebratory mood during her 1979 visit to President Carter

The Thatcher Carrington party is also going to Washington prepared to hear strong views from the U.S. on the civil war in El Salvador. This is, in the British view, a somewhat unexpected addition to the list of likely topics. Mrs. Thatcher, who shares staunch anti-Communist attitudes with Mr. Reagan, will probably sympathise with the Administration's fears of Communist subversion in a central American state.

But the Prime Minister is also likely to convey to the President the vested interests which Europe still has in detente and strategic arms control.

Ostensibly, of course, much will be made this week of the parallel economic courses the two Governments are on.

The Prime Minister will undoubtedly argue that "Thatcherisation" (loosely translated here as failing to implement promised policies) is not a failure. What she may find, however, is that sophisticated Americans know perfectly well that the economic and political differences between the countries are such that they render comparisons facile at best and erroneous at worst.

Snub for Stockman on tax

BY OUR WASHINGTON CORRESPONDENT

PRESIDENT Ronald Reagan has disavowed Mr. David Stockman, his Budget director, by saying a 2 cent increase in the Federal petrol tax has not been seriously considered.

Earlier this week Mr. Stockman—in an apparent effort to cheer state governors gathered in Washington about planned cuts in Federal aid—held out the possibility that the Administration would ask Congress for such an increase, the proceeds of which would go to states to help pay for highway programmes.

This would be popular among governors, but not with Congress whose approval would be needed for raising the petrol tax. Mr. Reagan needs all the support he can get on Capitol Hill

Petrofina takeover cleared

CANADA'S Energy Minister, Mr. Marc Lalonde, has told the Commons in Ottawa that he is satisfied there were no major leaks involved in Petro-Canada's takeover of Petrofina despite published reports in October which predicted accurately the takeover price.

Petro-Canada is the Government-owned oil company and Petrofina is a private oil company which Petro-Canada recently bought.

Mr. Lalonde refused renewed requests by the Conservative Party for a federal inquiry to ensure that the Government-owned oil company did not pay too high a premium to buy shares of Petrofina Canada at C$120 (£44) a share.

In Montreal, Mr. Dominik Dlouhy, president of the Montreal brokers' firm Maison Placements Canada, labelled Mr. Lalonde's statements "a very cavalier treatment of the issue."

Argentina stems exchange loss

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

HEAVY OUTFLOWS of foreign exchange from Argentina in the first two weeks of February have now ben stemmed. Between last Tuesday and Friday there was a net inflow of some $250m (£111m) and more currency has returned this week, according to officials at the country's central bank.

The reversal of the currency movement followed a decision last week by the Central Bank to raise its discount rate to 8 per cent a month from 7 per cent and to increase minimum reserve requirements on the banking system to 12 per cent from 11 per cent.

Nonetheless Argentina is still believed to have suffered a net decline of some $1.5bn in foreign exchange reserves since the start of this year. No detailed figures are available for their current level but they are thought to stand at between $6bn and $7bn.

Two weeks ago Argentina devalued the peso by 10 per cent after confidence in the currency was undermined by the country's widening balance of payments deficit

But the first response in financial markets was an intensification of the currency outflows as investors felt the devaluation had been to small.

Hart sets sights on presidency

BY OUR U.S. EDITOR

SENATOR Gary Hart from Colorado is letting it be known that he will run for the Democratic Party's presidential nomination in 1984.

Last week Senator Hart told former Vice-President Walter Mondale, another potential contender, of his intentions as a courtesy. He did not seek Mr. Mondale's endorsement, nor was it given, though Mr. Mondale is known to regard the Senator as one of the brightest young thinkers in the party.

Senator Hart's ambitions were well known last year. They even caused him some trouble in his close re-election contest against Mrs. Mary Estill Buchanan as voters in Colorado thought Mr. Hart was moving too far away from his home state constituency for his, and their, good.

Mr. Hart was campaign manager for Senator George McGovern's presidential bid in 1972 but has since moved some distance politically from his mentor. He is now reckoned to be a leader of the party's pragmatic elements, combining, for example, a belief in strategic arms control with stronger national defence and advocacy of environmental policies which recognise that conservation is not without cost.

Mr. Mondale, now dividing his time between the law and teaching a university course in his native Minnesota, can probably consider himself the Democrats' unofficial titular head, especially since former president Carter suffered such a heavy defeat last year.

Hitachi and GE in exchange pact

BY CHARLES SMITH, FAR EAST EDITOR IN TOKYO

Apart from that the two com-
HITACHI and General Electric of the U.S. have signed an agreement for general technical exchange under which GE will receive information on robot technology and mechanical parts assembly time-savings systems.

Hitachi, in return, says it will benefit from knowledge assembled through GE's worldwide network of companies.

The agreement is the second Hitachi has reached with a foreign company. In May, 1978 it agreed on an exhcange of computer know-how with ICL duct) technology — in other words on a variety of techniques which provides for each company to station technicians in the other's factories.

The ICL agreement still exists, but Hitachi says the tie-up with GE will be broader and should be more significant. Exchanges will not be limited to the items decided upon so far but will depend on what each company thinks it can learn from the other.

Hitachi is one of the two Japanese licencees of GE's basic patent for Boiling Water nuclear reactors (BWRs). panies are joint venture partners in two American sales companies for heavy electrical equipment. The companies, Hydraulic Turbines and High Voltage Breakers sell Hitachi equipment in the U.S. Hitachi at one time planned to establish a TV manufacturing joint venture in the U.S. with GE but dropped the idea because of anti-trust problems.

The main focus of GE's interest in Hitachi seems to be on production (rather than pro- developed by the Japanese company for raising productivity.

A statistical method for measuring time savings resulting from different methods of mechanical component assembly which Hitachi uses at its Ibaragi tape recorder plant seems to be of special interest to GE.

Australia import plan angers motor trade

BY COLIN CHAPMAN IN SYDNEY

THE AUSTRALIAN motor industry has reacted angrily to a proposal from the Industries Assistence Commission, sent to the Government in Canberra, recommending a higher level of imports and less tariff protection for local manufacturers.

The recommendation is for unlimited imports and a progessive tariff cut down to 35 per cent from 1984, thus dismantling the present manufacturing plan which limits imports to 20 per cent of the local market and provides a protective tariff of 60 per cent.

The proposal is based on the argument that scarce capital resources would be better used elsewhere. Automotive industries, once the centrepiece of Australian manufacturing, have become problem industries, the Commission said.

The motor industry is unlikely to become competitive until the Government adopts a "more hands-off attiude." There should be increased specialisation and "this would probably imply a reduction in the number of vehicle and component producers."

Nissan, the Japanese group which has just announced an expansion plan involving the building of a new engine plant, demanded that the Fraser Government should give a quick answer to the proposals, as its future investment is at stake.

This expression of concern spread through the industry:

- Mitsubishi, which last year bought out Chrysler, said the recommendations would mean a decline in employment;
- Borg Warner declared 80,000 jobs would be in jeopardy with twice that number ultimately affected

This opposition has combined with criticism from Mr. Dick Hamer, the Premier of Victoria, also worried about employment.

UK set for Gabon rail contracts

By Mark Webster in Libreville

BRITISH companies look set to take a share of the contracts for the £350m second leg of the trans-Gabon railway, according to diplomats in Libreville.

Two British civil engineering companies, whose names have not yet been announced, have applied for pre-qualification for the work, and the Gabon Government has made it clear it will look favourably on UK tenders.

The contracts for which the British companies would be competing cover civil engineering work and track-laying for a 351 km sector between the towns of Booue in central Gabon, and Franceville in the South-East.

The work on the first leg of 325 km as far as Booue is being undertaken by a European consortium called Eurotrag in which French companies have a majority shareholding.

The first 180 km were inaugurated in April, 1978, but total costs of nearly $1bn have been higher than anticipated.

British imports from Jamaica up 16% while exports fall 25%

BY CANUTE JAMES IN KINGSTON

BRITAIN'S imports from Jamaica last year increased by 16 per cent over 1979, while exports to the island fell by 25 per cent. The figures indicate a continuation of the trend over the past five years which has been heavily in favour of the island.

Figures released by the British High Commission show that Britain's imports last year totalled £95.5m, which was £62·4m more than exports to Jamaica. This deficit is significantly more than the £37.6m of last year. The deficit for 1979 was £47.4m.

However, the volume of trade between the two countries last year remained within the range of between £110m and £130m per year of the last five years.

The main British import from Jamaica last year was alumina, which accounted for £59.1m Other major imports were sugar (£19.1m), bananas (£11.7m) and beverages (£2.5m). Alumina imports were up by £20m on 1979, but bananas fell by £6m.

Major British exports to Jamaica for the year were machinery, transport equipment and vehicles valued at £16.2m, manufactured goods worth £7.8m, and chemicals totalling £4.9m.

The figures for last year reflect a continuing inability of Jamaica to import not only from the UK but also from its other traditional suppliers, because of a chronic lack of foreign exchange.

The island needs just over $500m to bring short-term payments up to date, and is carrying an overall trade deficit for last year of about $300m.

This was exacerbated by the decision of the Export Credit Guarantee Department last January to partially lift coverage on trade with the island because of the lack of foreign exchange.

All cover was removed by the ECGD in March, when Mr. Michael Manley, the former Prime Minister, terminated

Mr. Edward Seaga . . . concluding agreement with the IMF for $550m credits

negotiations with the International Monetary Fund.

The new Conservative Government, led by Mr. Edward Seaga, is concluding an agreement with the IMF for $550m in credits.

Japanese likely to demand full compensation on deals

BY OUR FAR EAST EDITOR IN TOKYO

Japanese exporters of industrial plant to China are expected to demand full compensation for the recent spate of Chinese contract cancellations during talks with a top official of the National Technical Import Corporation who has just arrived in Tokyo.

Mr. Liu Xinghua, is expected to stay in Japan for up to a month sounding out the views of the Japanese companies involved in some yen 300bn (£64m) worth of cancelled contracts. Negotiations on a settlement of the dispute will follow Mr. Liu's mission and may well involve the Governments of both countries.

Japanese plant exporters appear to be taking the line that China should either reinstate the cancelled contracts (for which machinery is still being shipped) or pay to Japan the full original contract price by way of compensation.

The question of aid to China is seen as a separate issue. China has already requested emergency low interest rate financing from Japan as a condition for reinstating the contracts but the initial response from the Japanese Government was negative.

An ironical aspect of the dispute over plant contracts is that China has yet to draw on financing that has already been agreed to by Japan. A $2bn (£892m) line of credit with interest rates based on LIBOR to which Japanese banks agreed in the summer of 1979 has never been used.

Most of the yen-denominated official aid promised by Japan during the past 18 months has also yet to be taken up. In this case the problem is that the aid is linked to specific projects which cannot be launched without domestic financing.

The bleak landscape of inactivity at Baoshan

BY TONY WALKER IN SHANGHAI

TRUCKS and heavy earth-moving equipment stand idle, some under tarpaulins. Sites, which months ago were the scene of bustling activity, are deserted.

This is the bleak scene at Baoshan, the multi-billion dollar steel complex being constructed on the fringes of Shanghai, according to Western businessmen who have visited the site recently.

Work on the giant Baoshan steelworks, symbol of China's modernisation drive, has come virtually to a standstill as the Chinese decide what to do about their most ambitious capital works project in light of the savage cuts in government spending.

According to a Japanese engineer connected with the project, the Chinese workforce at Baoshan was slashed in mid-December by as much as 90 per cent as the authorities put the project on "hold."

Chinese officials have yet to respond to a request to visit the site. Representatives of Nippon Steel, the main contractor, were "too busy" to give interviews. Correspondents are clearly not welcome at the site, which has become a major embarrassment to China and Japan.

An official of the Japanese consulate in Shanghai was guarded about problems at Baoshan which are the subject of complicated negotiations in Peking and Tokyo.

A Japanese technician employed at the site said there was no chance that the first stage would be completed before 1984. It had been planned to finish this phase by August 1982, but the virtual halt to the project has put this out of the question.

The problems at Baoshan have come to symbolise the cooling of the once-buoyant commercial relationship between China and Japan.

When agreement for Baoshan was signed in 1978 by the Chinese and Nippon Steel, it was to be the centrepiece of a series of ambitious heavy industry projects in which Japanese business was to supply expertise and much plant and equipment.

Confusion now surrounds the future of Baoshan and a number of petrochemical projects in which Japanese business is involved.

Chinese and Japanese officials are shuttling between Peking and Tokyo in an effort to sort out the difficulties brought on by China's decision to suspend or cancel a number of projects as part of its economic re-adjustment programme.

At Baoshan, in line with reductions in the number of Chinese workers—from 15,000 to 1,500, according to one Japanese official — Mitsubishi heavy engineering and Nippon Steel have withdrawn many of their representatives.

Previousl yit was planned that about 1,000 Japanese engineers and technicians would take part in the construction of Baoshan. Two hotels were to have been built to house Japanese, German and American technical personnel. One of these has apparently been scrapped along with much of the project's second stage.

Work is still proceeding on a large generating plant which was to have served Baoshan and part of the surrounding area. Work is also going ahead on the first blast furnace which may be completed by 1982.

But much of the preparation for steel rolling mills, a seamless steel pipe mill and a harbour (Baoshan is on the Yangtse) has either been suspended or slowed down pending further discussions between China and the main contractors which include, apart from Nippon Steel, the big German concerns, Schloeman Siemag and Mannesman Demag.

Divhunysz officials in Peking have not yet been able to give a clear idea of what is intended for Baoshan, according to Japanese officials involved. This may have to await the outcome of a feasibility study.

Yao Yilin, State Planning Commission chief, said last year that the study could take about three years as Chinese investigators went into a number of the difficulties associated with the project.

While costs to China in terms of damage to international prestige as a result of the sudden cancellation or suspension of contracts at Baoshan are considerable, Shanghai authorities are having to deal with the immediate problem of unemployment caused by retrenchments at the project.

Western businessmen in Shanghai have been told that some workers not needed at Baoshan will be employed in urban renewal projects. Shanghai, the world's most overcrowded city, needs a face-lift.

There is also talk of building a second tunnel under the Huangpu river which divides the metropolis.

While uncertainty exists over the fate of Baoshan, other projects involving foreign contractors in Shanghai are apparently going ahead. One such project is the extension of the Jinshan chemical works on the southern fringes of the city.

However, prospects for foreign business in Shanghai as in the rest of China will remain difficult for years. As one Western businessman said: "When Peking sneezes, Shanghai catches cold."

WEAK links in the Chinese economy in areas like energy, building materials, communications and textiles were strengthened last year, according to the State Capital Construction Commission, quoted by the New China News Agency. It said 60 big and medium-sized projects had been completed and put into operation during the year.

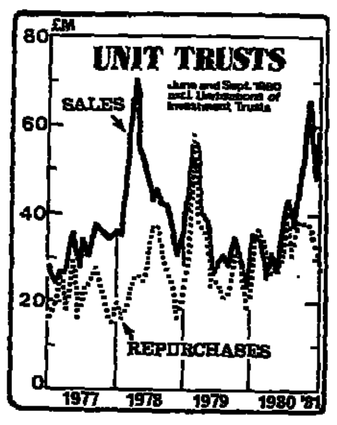
But, the Capital Construction noted, some projects were not completed on schedule. Efforts would be made this year to complete key projects despite retrenchment policies.

Unit trust sales at high level last month

By Tim Dickson

UNIT TRUSTS have had a good start this year. Sales of £63.9m in January were one of the highest levels in three years while the number of units cashed in at £27.6m was comfortably below the recent monthly average. Net new investment during January of £36.3m was the second highest ever.

January's figures, which include £4.5m from the "once off" unitisation of an investment trust, suggest that the unit trust



movement has not been seriously affected by the keen competition for personal savings, notably by National Savings and the building societies.

Mr. Cholmeley Messer, chairman of the Unit Trust Association, said of the results yesterday: "They are splendid. Expenditure on advertising by our members during the month was unusually high but perhaps the message is getting through anyway that unit trusts are a good place to put your money."

Unit trusts had their best year for new sales in 1980 but the number of units cashed in during the period was also the highest on record.

The figures released yesterday show that the rate of defections may be slowing down, though managers accept that as their business grows older high repurchases are inevitable.

The association, continuing its campaign to woo the small investor, yesterday published statistics showing the results of regular savings plans over the last five, 10 and 15 years. It has also launched an annual publication reviewing sales and performance of 11 unit trust categories.

The total value of funds at the end of January was £4.911bn in 457 authorised unit trusts. At the end of the period there were 1.734m unit trust accounts, compared with 1.721m at the end of December and 1.809m a year ago.

Beecham faces curbs on antibiotic

BY SUE CAMERON

THE GOVERNMENT is expected to recommend severe restrictions on the use of Augmentin, a new antibiotic drug developed by Beecham, the UK-based pharmaceuticals and consumer products group.

Such a move could have a major impact on the futurue profits of Beecham's drugs business. The company, which was expected to launch Augmentin on the UK market later this year, has said the drug was likely to be one of its most successful medicines.

But it is now thought that the official Committee on the Safety of Medicines has recommended to the Government that the use of Augmentin should not be approved for children, for adults who need recurrent treatment or for a large range of infections.

The committee is believed to have decided that Augmentin should only be used for a group of what are known as gram negative infections. Industry experts say this will restrict the use of the drug largely to infections of the urinary tract and to bacterial gastro-enteritis.

Beecham had hoped the drug would be given approval for use in a range including ear, nose and throat, skin and bronchial infections.

The committee's recommendation has to be sanctioned by Ministers at the Department of Health and Social Security, whose approval is usually automatic.

If Augmentin is given even limited approval, family doctors would be free to prescribe it for any infections they wished. But Becham would not be able to market the drug for wider use, and in practice doctors would probably only prescribe it for the recommended, more limited uses.

Industry experts believe Beecham had hoped to make worldwide profits of up to £40m from Augmentin once sales of the drug built up. But limited approval by the UK authorities is likely to make it more difficult for the company to obtain the sanction for its unrestricted use in other countries.

Beecham will have the right to appeal to the Medicines Commission.

Some industry experts say the powerful antibiotic has side effects—notably queasiness—and doctors would probably curtail its use to special circumstances.

Military satellite plan expected soon

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE Ministry of Defence is expected to announce a plan soon for a £100m defence communications satellite network to meet the needs of the armed forces during the 1980s and beyond.

Two groups of companies are bidding for the contract—British Aerospace in conjunction with TRW of the U.S., and Marconi Space and Defence Systems of the UK in conjunction with Ford Aerospace and Communications of the U.S.

The Ministry of Defence decision, expected within weeks, will mark a major turning point in the UK attitude to communications satellites. Although the MoD was originally involved in such spacecraft, in 1974 when the Skynet defence satellite went into orbit, it has not ordered a new wholly-UK defence satellite since then, preferring to participate in an overall series of NATO satellites.

In recent years, however, it has become clear that the increasing demands of the UK armed forces, and especially the Royal Navy, for a new satellite system of their own, have forced the hand of the Ministry.

The new satellites, to be named Comsat IV or Skynet IV, will provide defence communications up to the mid-1990s. The first satellite would be due for launch in November, 1984, to be followed closely by a second to complete global coverage. A third satellite would be built but held in reserve.

The competition between the two groups is very tough, with keen price fixing. This is because whoever wins will be in a strong position to develop a complete satellite capability that will help it in overseas markets through the 1980s and beyond.

The contract will also help to maintain, and probably also increase, the number of workers directly involved in satellite development and manufacture in this country.

Another effect of the MoD decision will be to ensure that the UK will be in a strong position to obtain a greater share in forthcoming international satellite programmes such as further developments in the Intelsat series, the Inmarsat maritime communications satellites, and the European-based Eutelsat and Eumetsat satellites for communications and meteorological purposes.

Shell was not insured against Salem loss, court told

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

A CARGO of oil carried by the tanker Salem was lost as a result of a fraud, against which Shell International Petroleum Company, which owned the oil, was not insured, it was claimed in the High Court yesterday.

The intention of the conspirators was that the Salem would be scuttled after secretly discharging her cargo at Durban, to conceal the fraud, said Mr. John Hobhouse, QC.

He was appearing for Lloyd's underwriters, who are opposing Shell's $56m (£24m) claim against them over the loss of the oil.

The Salem left Kuwait on December 10, 1979, carrying 196,231 tonnes of crude oil, supposedly for delivery in Italy.

She sank off the coast of Senegal on January 17, 1980.

Mr. Hobhouse said that it was clearly a case of fraud, for which the conspirators had been preparing from October, 1979, at least.

Agreed facts put before the court stated that a number of individuals had conspired to sell a cargo of crude aoil, which they neither owned nor paid for, to SFF, the South African purchasing agency.

Mr. Hobhouse said he was not claiming that SFF had been an initial party to the conspiracy. "Whether at some stage they closed their eyes to some part of the transaction is a matter for speculation."

The charter of the Salem to Pontoil, from which Shell bought the cargo, had been a sham transaction. Pontoil had been deceived by the conspirators.

The charter party, bill of lading, freight invoice and other documents had also been false.

The loss had occurred when the cargo was loaded on to the Salem, which was owned by Oxford Shipping Company, controlled by Mr. Frederick Soudan, one of the conspirators, said Mr. Hobhouse.

Shell's insurance had been for a voyage from Kuwait to Italy. But the voyage on which the Salem had embarked had been to Durban.

Mr. Hobhouse said that Shell's cargo insurance policy did not cover theft, and was not concerned with fraud or subterfuge. It was a standard "ship and goods" policy.

The hearing continues today.

Computerised marketing service to aid companies

BY MICHAEL DIXON

A NEW computerised marketplace, enabling companies to offer goods or services throughout the UK and eventually internationally for a maximum charge of £184, was announced in London yesterday.

Called the Ideas and Resource Exchange (IREX), the venture is intended to stimulate economic recovery by quickly and inexpensively linking people or companies possessing virtually any kind of productive "resources."

These could include inventions or other innovative ideas, managerial or specialist work-skills, spare factory space or machine capacity, supporting services such as consultancy, and money for investment as well as established products.

Up-to-date information-processing technology to bring together the different elements of business activity was "a development of tremendous potential significance for our future well-being in this country," said Sir Alex Smith, a director of IREX.

The £160,000 launching for the venture has been provided by about 40 private shareholders. Its computer system isabsed on IBM equipment and programmes developed by Compass Software.

People or companies wishing to sell resources through the system will use the Universal Decimal Classification to enter an outline description of their offers.

Lucas and Chloride in joint venture

By John Griffiths

LUCAS INDUSTRIES and the Chloride Group have formed a joint company to develop electric vehicles.

The company, Lucas Chloride EV Systems, plans to spend up to £10m over the next five years to establish commercially viable components and drive systems for road vehicles in conjunction with volume vehicle manufacturers.

About half that amount is likely to be provided by the Department of Industry, which has undertaken to match the company's investment by up to £1m a year in the period to 1986.

This is in addition to about £3m already injected by the DoI into electric vehicle programmes, including Chloride Silent Powers' high-output sodium sulphur battery and the "London Goes Electric" scheme — du eto end in 1983 —which is assessing the costs and performance of a fleet of 62 light urban delivery vehicles built by Bedford in conjunction with Lucas, Talbot, Chloride and Crompton Electricals.

Lucas and Chloride until now have been following separate development paths.

Combining their skills — Lucas as a major auto components maker and Chloride as a major battery manufacturer — will, the companies claim, create a blend of expertise

Howell optimistic about coal's future

MR. DAVID HOWELL, Energy Secretary, told the British Institute of Management in London yesterday that the coal industry could become "strong, efficient and competitive," in the 1980s and 1990s.

He added that he was confident that the industry could deal sensibly with its short-term problems of supply ano demand. "These difficulties should not be confused with the longer term prospects which we believe augur well for the coal industry."

Boanas retires

MR. ARTHUR BOANAS is to resign as a partner of W. Greenwell, the broking firm, to return to fund management and financial counselling. He will leave on May 16.

Lord Fisher exempt

CONTRIBUTIONS received by Lord Fisher towards the expenses of organising shoots on his Norfolk estate are not subject to Value Added Tax, a High Court judge ruled yesterday. Mr. Justice Gibson said any activity carried on only for pleasure and social enjoyment was exempt from VAT.

NEB gets Nexos investment approval

BY JASON CRISP

THE Governmt has told the National Enterprise Board that it can go ahead with an investment of £40m in Nexos, its office automation subsidiary.

The investment was planned with the approval of the Labour Government in 1978, but has been the subject of some doubt since the election.

The NEB, is also seeking a bidder or partner for Nexos although this is unlikely to be before 1982. Three non-executive directors have been appointed to the Nexos board to make it more attractive to the private sector.

The newly appointed chairman is Mr. Martin Harris, deputy chairman of Reckitt and Colman and a director of National Westminster Bank. Mr. Harris was recently appointed non-executive director to another NEB subsidiary, Inmos, the company which will make micro-chips.

Four senior businessmen were appointed to the Inmos Board in November to help prepare the company to go to the market for private finance in 1983 or 1984.

The NEB has appointed non-executive directors to Nexos for similar reasons although in its case it expects to find an outright purchaser or a company willing to enter as joint partner. The Board recently approved Nexos's five-year development plan.

Mr. Ken Frost, who was until recently commercial director at Standard Telephones and Cables, and Mr. John Oakley, chairman of Berwick Timpo, are the other newly appointed Nexos non-executive directors.

Last year Nexos launched a word processor selling for £7,500 and recently announced it had sold 65 to Commercial Union. The word processor is made by Logica.

The decision to increase the NEB's permitted investment in Nexos from £15m to £40m reflects the Government's growing commitment to information technology industries.

The £40m will only be released by the NEB in stages.

£15m platinum refinery to be built in Royston

BY KENNETH MARSTON, MINING EDITOR

THE GO-AHEAD has been given for a £15m platinum refinery to be sited at Royston in Hertfordshire. It is to be built for Matthey Rustenburg Refiners, the world's largest refiners of platinum group metals, and is scheduled to open in late-1982.

It will be based on a new process using solvent extraction techniques, developed by MRR at Royston and by the Johnson Matthey Research Centre. Engineering contractors are the Davy Corporation group's Davy McKee (Minerals and Metals).

Later this year the MRR group's new R40m (£23m) nickel, cobalt and copper refinery in South Africa is to be commissioned. The two plants will handle concentrate output of South Africa's big Rustenburg mine and recycled platinum group metals from scrap and residues.

At present the market for platinum group metals, notably palladium, is depressed, while sales of platinum itself are hardly buoyant. The important Japanese demand for platinum jewellery has been hit by high prices, but it is picking up.

Meissen service doubles estimate at £14,000

SALEROOM

BY ANTONY THORNCROFT

A MEISSEN yellow ground 43-piece tea and coffee service made in 1744, sold for £14,000 —almost double its estimate, at Sotheby's continental porcelain sale yesterday.

The buyer will have to pay an extra 11.5 per cent in premium and VAT. Winifred Williams, the London dealer, was also active paying £11,000 for a rare Meissen Hausmaler cream pot and cover with 1720 porcelain and 1740 decoration, and £6,000 for a Bayreuth coffee pot and cover of around 1730.

In the arms auction a pair of 12 bore sporting guns by J. Woodward made £5,800 and a pair by Holland and Holland £4,200; both lots sold to Roberts, the London dealer.

In three modest sales at Christie's, glass and paperweights totalled £72,970; objects of vertu £69,210; prints and maps £81,140.

Top prices were the £2,200 from Hubner for an Anton Kothgasser glass of 1824, Vienna, 12 cm high with enamelled playing cards as decoration; £1,800 from Hartman, the New York dealer, for a Fabergé silver and enamel bowl; and £3,500 from the Parker Gallery for a set of 26 plates by Thomas Shotter Boys.

Metal Box makes 550 more redundant

BY JAMES McDONALD

METAL BOX, which earlier this month announced plans to make 700 employees redundant in its general line division, is to make a further 550 redundant in its open top division.

These two batches of job losses will take place during the company's next financial year starting in April. In the present financial year to March 31, Metal Box will have made 4,000 employees redundant, a large number of them in the open top division.

The 550 redundancies in the open top division, which employs 8,300 people, will take place in six of the division's 13 factories in Worcester, Loughborough Road, Leicester; Westhoughton; Carlisle; Northern Ireland; and Glasgow.

The open top division manufacturers cans for the food and beverage industries. Demand for canned beverages has been particularly hard hit by the recession

Metal Box, at the same time, has been accelerating its move into more capital intensive canning production lines.

The general line division includes the manufacture of a variety of metal containers for the packaging of products, including cosmetics, pharmaceuticals, household products, and food and confectionery.

Employees buy computing business to avert closure

BY JAMES McDONALD

A NOTTINGHAM-based computing business which was to be shut by its U.S. owner has been bought by 16 employees for more than £104,000.

The 16 people are now shareholders in the newly-named Computer Special Systems company. They had bid for the business on the open market.

Mr. Rick Goold, the managing director, said yesterday: "Rather than face a life on the dole, we all got together and raised about £35,000, with the rest coming in the form of a loan. We were up against very stiff opposition in trying to buy the business but luckily we managed to get it.

"Now we want to make a success of it and show people just what can be done with a bit of initiative."

● Another job-saving project is in operation at Newcastle under Lyme where 30 workers —made redundant last year from Bristol Street Motors at nearby Fenton, Stoke-on-Trent—are now working for a company set up by two former colleagues who also lost their jobs. Mr. John Parton and Mr. Les Sunderland opened Lyme Valley Commercials to sell Bedford vans and trucks.

● The managing director of Newman Granger (Engineering) in Derbyshire, which is to close next month, has written to 789 companies asking if they can offer jobs to the 44 workers who will become redundant. They are the staff remaining following heavy cuts over the past year at the plant, near Ripley.

West Midlands unemployment rises 4¾%

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

UNEMPLOYMENT in the West Midlands is rising more rapidly than in the rest of the UK, reflecting the particularly severe pressures on manufacturing industry during the recession.

In the month to mid-February the number of adults out of work in the region rose 4¾ per cent, and the total has almost doubled in the past 12 months.

This compares with an increase of over 67 per cent for the UK as a whole in the period.

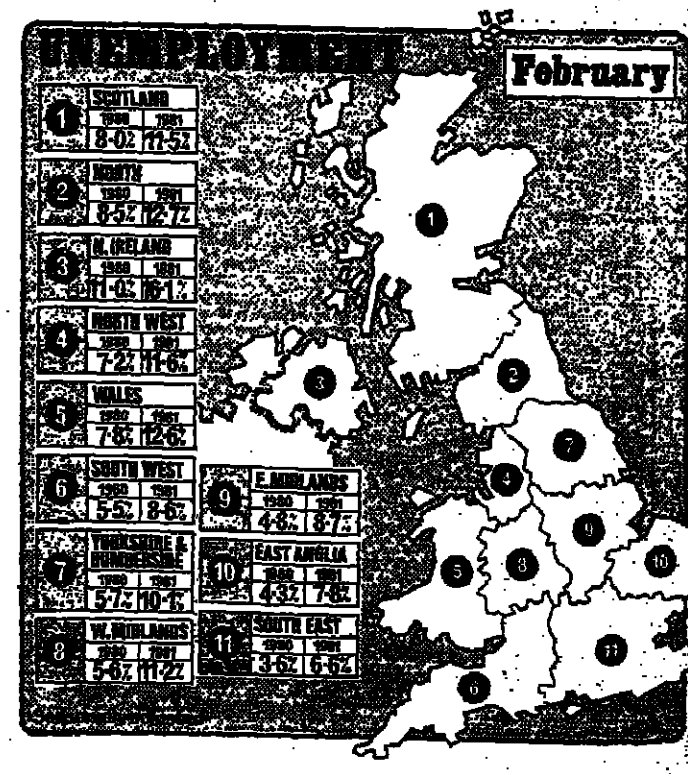
There is 11.2 per cent unemployment in the region—almost as high as in traditional problem regions in the north, Scotland and Wales.

The vulnerability of the region in the recession, in contrast to previous post-war downturns, has been caused by the heavy concentration of manufacturing companies.

Many of these have been forced to declare large-scale redundancies because of the pressure of the strong pound and the liquidity squeeze.

The rise in unemployment has also been above the national average in the East Midlands, in Yorkshire and Humberside and in south-east England.

Although the increase in the last 12 months has been below average in the northern regions, and particularly in Scotland and Northern Ireland, unemployment in these areas is now well over 10 per cent.



Joint venture to build cans recycling plant

A £350,000 plant for recycling cans from domestic refuse is to be built and operated in Manchester as a joint venture between Material Recovery Limited and Greater Manchester Council.

The plant in Stalybridge will receive domestic refuse from Tameside Borough and extract used tinplate cans to recycle them into high grade steel scrap and tin. Material Recovery is jointly owned by Metal Box, British Steel and Batchelor Robinson.

Plans to extract hard-to-get oil

BY RAY DAFTER, ENERGY EDITOR

TWO OFFSHORE exploration groups are planning to use novel production methods to extract hard-to-get oil from the UK continental shelf.

A consortium led by Chevron is to discuss outline proposals for developing a marginally-economic field of thick, heavy oil in block 3/28 some 100 miles east of the Shetland Islands.

And British Petroleum, as operator of a group—again including Chevron—is studying ways of conducting an initial production test in the Clair Field, a heavy oil discovery based on block 206/8 40 miles west of the Shetlands.

The two projects, which will open up new frontiers in offshore development, will entail investment totalling several hundred million pounds.

The Chevron development in block 3/28 could cost over £350m. First, however, the partners in the project—Chevron, Imperial Chemical Industries, British National Oil Corporation and Sovereign—must pledge funds towards an analysis of the problem reservoir and possible production methods. This decision may be taken at a scheduled meeting of the consortium later this week.

It is thought the un-named field contains over 500m barrels of very heavy, viscous crude oil. Chevron believes it would have to recover at least 10 per cent of this oil to justify development.

BP, as operator on Clair, is now evaluating computer models of the very large reservoir with a view to conducting an initial production test next year or 1983.

It is thought that BP and its partners—Chevron and ICI—will initially use one or two wells for the test. One well might be used to monitor the effect of production on the reservoir pressure.

If these tests are successful BP may progress to a pilot test programme involving five wells. It is unlikely that these wells will be operational before the mid-1980s. Within BP it is thought unlikely that a full-scale field development project will be initiated before 1990.

Last year BP fractured a small area of the reservoir in a production simulation test. The exercise was regarded as mechanically successful. But BP is still not sure that it can obtain similar results in other parts of the large field.

Brewers expect 3% cut in sales this year

BY GARETH GRIFFITHS

THE British brewing industry is unlikely to recover until next year, and then expects a growth rate of 1.5 per cent to 1.75 per cent per year until 1985. This is well down on the industry's traditional growth rate.

The Brewers' Society said yesterday that beer sales this year will decline by more than 3 per cent to 39.3m bulk barrels, roughly 11.32bn pints, compared with 40.7m bulk barrels sold last year.

A four-year forecast for beer sales suggests they will not pick up until the economy starts to improve. The annual growth rate after 1982 is forecast at about 1.5 per cent to 1.75 per cent, down on the average annual rate of 2 per cent to 2.5 per cent of the 1960s and 1970s.

The new forecast is a marked revision downwards of the Brewers' Society forecast made last year for 1981. The brewers expected to sell 35m pints a day in 1981. The new estimate is for a daily sale of around 31m pints.

Projections suggest that in 1982 sales will be 40m bulk barrels, in 1983 they will be 40.7m bulk barrels, in 1984 they will be 41.4m bulk barrels and in 1985 they will be 42m bulk barrels.

Demand for draught beer is expected to remain fairly constant, although trade estimates put the lager share of the market last year at 30.5 per cent, an increase in market share of 1½ per cent.

The prospect of poor beer sales this year and the 3.9 per cent cut in sales last year compared with 1979 has caused brewers to revise downwards their investment plans for production, packaging and distribution.

A Brewers' Society capital expenditure forecast expects the industry to spend £1.27bn over the next three years. The bulk of the money will go on improving public houses. The forecast last year was for capital spending of £1.5bn over a three-year period.

Ombudsman complaints rise by 36%

COMPLAINTS to the Parliamentary Ombudsman, Mr. Cecil Clothier QC, rose by 36 per cent in 1980 compared with 1979.

The total of 1,031 was the fourth highest since the office was established in 1967. The increase is largely accounted for by more complaints from Scotland and Northern England as awareness of what the office does has become more widespread.

The largest subject of complaint — about a third of the total — was social security benefits and related employment problems.

The second largest group of complaints were against the Inland Revenue and Mr. Clothier comments particularly on the unfairness in the way the Inland Revenue charges interest on tax paid late, when VAT refunds are overdue from Customs and Excise.

Parliamentary Commissioner for Administration, annual report for 1980; HMSO; £3.60.

Fletcher to head Asda store group

By Our Consumer Affairs Correspondent

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THE Asda superstores group yesterday appointed a new managing director to replace Mr. Peter Firmston-Williams, the present managing director, who retires later this year.

The new appointment is Mr. John Fletcher, aged 38, who is at present chief executive of Oriel Foods. Mr. Fletcher joins Asda in April and will take over as manager director in September.

During the ten years Mr. Firmston-Wililams has been in charge of Asda, the stores group has constantly expanded its operations and now has some 78 stores. In the grocery market, Asda ranks third behind Tesco and J. Sainsbury.

Mr. Roy Bousfield, group managing director of Asda's parent company, *Associated Dairies*, said yesterday that the company had been searching for a replacement for Mr. Firmston-Williams for some time. "He has done a magnificent job over the last decade and it requires a quite exceptional executive to replace him."

Magnet-powered railway for exhibition centre

BY LORNE BARLING

BRITAIN'S FIRST magnetic levitation transport system, which its manufacturers claim will be the most advanced in the world, is to be built with the backing of the Government and a group of rail equipment companies.

The system will link the National Exhibition Centre to Birmingham Airport, which is to be redeveloped over the next few years at a cost of about £45m. It will be used by a large number of foreign visitors to the NEC and there are claimed to be good prospects for export orders.

The system will be manufactured by a consortium of companies called the People Mover Group, which includes Balfour Beatty Power Construction, Brush Electrical Machines, GEC General Signal, GEC Rectifiers, GEC Transportation Projects, GEC Witton Kramer and Metro-Cammell.

The consortium estimates that its system will be built for less than £2.8m, which compares with conventional railway costs of about £6.5m.

Maintenance costs are estimated at 15 per cent of those of comparable wheeled trains.

Maglev, as the system is known, has electro-magnets instead of the wheels, springs and dampers of a normal suspension. The magnets lift and steer the car along its special track, with which it has no contact when in motion.

Mr. Harry Kline, managing director of GEC Transportation Projects, said at the signing of contracts yesterday that the system had a potential world market worth more than £100m. It would be particularly appropriate for use at airports.

The West Midlands county council has played a leading role in bringing together the participants in the project, which has been assisted by £750,000 in government grants, mainly for research. British Rail Research is acting as consultant.

Maglev will carry an estimated 420,000 passengers a year on the 90-second trip between the airport and the BR station at the Exhibition Centre.

Gold transfers by Libya near £100m in January

LIBYA transferred almost £100m in gold from the UK to Tripoli in January, taking its total shipments from the London market to 17 tonnes worth about £135m during the past three months.

The Libyan Government, whose financial operations are normally clouded in secrecy, has emerged as one of the most enthusiastic purchasers of gold among the Organisation of Petroleum Exporting Countries.

Its bullion withdrawals from London almost certainly represent official purchases being brought home

Several other OPEC members, led by Iran and Iraq, also made such gold transfers last year.

The Libyan consignment is revealed in figures from the UK Customs and Excise. These show that Libya shipped 12.7 tonnes, valued at £98.5m, out of the total 50.9 tonnes of refined gold bullion exported from the London market last month.

The bulk of the gold was taken as usual by Switzerland, which accounted for 37.3 tonnes.

On the import side—where as a result of Bank of England restrictions, no breakdown of the figures by country is given—55.9 tonnes of refined gold used in inter-bank transactions entered Britain last month.

The import figures for February, to be published next month, will be swollen by the return to the Bank of England vaults of about 50 tonnes of Britain's gold reserves which figured in the complex financial settlement between the U.S. and Iran last month.

Under the terms of the deal, Iran transferred to the UK's ownership 50 tonnes of gold previously frozen in the New York Federal Reserve Bank.

The same amount of Britain's own gold reserves was switched to a special account set up for Iran's benefit at the Bank of England.

The result of the transaction was that 50 tonnes of the UK gold holdings were shifted from London to New York.

The gold was, however, moved back to London earlier this month because the Bank of England prefers to keep it in its own vaults.

The 50 tonnes were flown in between February 8 and 11, from the New York Assay Office (where the U.S. keeps part of its reserves) to Threadneedle Street via the giant U.S. air base at Mildenhall in Suffolk.

The metal was not moved all at once because of the security risk of placing 50 tonnes of bullion in one aircraft.

London insurers in fact rarely arrange cover for shipments of more than 10 tonnes at a time.

Mildenhall, which is the major air transport centre for the U.S. forces in Europe, is more used to handling military cargoes.

On at least one other occasion, however, it has received large gold consignments. This was in 1968, when extra U.S. gold stocks from Fort Knox had to be hurriedly flown in for sale in London as part of abortive central bank efforts to keep the gold price from rising above $35 per ounce.

Sovereigns minted last year put at record despite fall in demand

David Marsh looks at the link between coins and bullion reserves

PRODUCTION of gold sovereigns by the Royal Mint last year rose to a record 54 tonnes, according to figures circulating in the coin industry.

This compares with about 51 tonnes produced in 1979. The figures do not include striking in the UK of four tonnes of special proof sovereigns and coins for foreign countries last year. This was down from seven tonnes in 1979.

The slightly higher level of British coin production last year is somewhat surprising since international coin demand fell sharply because of the decline in the gold price. However, not all of last year's output was actually sold during 1980.

Although Britain is the world's second largest producer of official gold coins—behind South Africa but ahead of Canada, Mexico and the Soviet Union—the Bank of England and the Royal Mint are wary of publishing detailed figures about UK gold activities.

This is partly because the gold used in sovereign production comes from the UK bullion reserves held at the Bank of England. As one of its low-profile operations on the gold market, the Bank transfers gold to the Royal Mint and buys metal on the market to replenish the reserves.

The sovereigns count as part of Britain's reserves until they are sold through the London bullion dealers. Much of the production goes overseas, particularly to Switzerland.

Sovereigns are sold at a premium over the gold price, and this margin in practice amounts to much more than the cost of manufacture. The Bank of England can sometimes make an additional profit by buying gold from the market at below the price of the metal used in the coins. So sovereign production generally benefits Britain's balance of payments.

The use of gold reserves for sovereign manufacture is one of the reasons why the volume of Britain's official gold holdings has shown small month to month variations during the last year. According to Bank of England figures, these have seldom been more than about $5m a month.

In November, 1978, the Bank's bullion department switched to selling sovereigns to the market for dollars rather than simply exchanging them for an equivalent amount of bullion.

The changed policy allows the Bank more flexibility in the timing of gold purchases to replenish the reserves. It also gives the Bank more expertise in gold trading—an area from which international central banks have become progressively divorced since the break between the dollar and gold 10 years ago.

The Bank publishes figures for British gold reserves after a delay of several months. The regular monthly reserve statistics do not include any breakdown of bullion holdings.

In the latest set of statistics produced by the International Monetary Fund on countries' reserve holdings, Britain's gold reserves—based on figures supplied by the Bank of England—are provided only until September. All other industrialised countries except New Zealand, as well as many developing countries, managed to produce a figure for December.

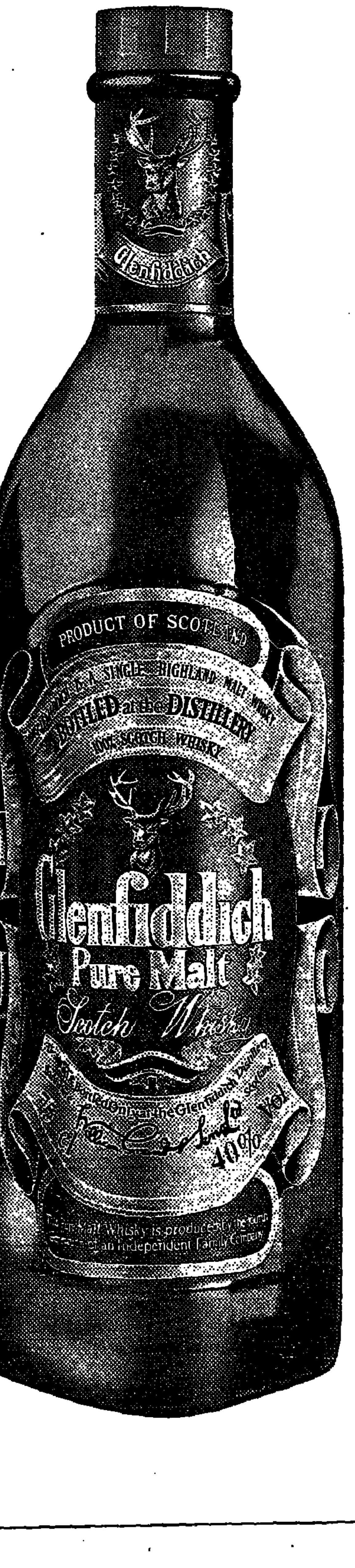
The IMF figures make clear that Britain's reserves fell by several tonnes during the summer and autumn last year. This indicates that the Bank allowed gold holdings to drop in the expectation that the metal could be bought back more cheaply later on. This proved correct, since the price fell towards the end of the year.

The volume of gold used for coin production last year is not to be confused with the output of 1980 mint sovereigns, for which the Bank of England publishes official figures.

The issue of 1980 sovereigns totalled 5.1m coins—some 40 tonnes worth, since each coin contains about ¼ oz of gold. This was down from 9.1m coins (71 tonnes) in 1979.

These figures refer only to the number of coins struck bearing the date of any particular year, which is different from the number of coins actually produced in that year.

Some of the new range of 1981 sovereigns which the Bank started to issue last week were almost certainly produced in 1980.



UK NEWS

British Midland challenges Shuttle

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BRITISH MIDLAND AIRWAYS, one of the largest UK domestic airlines, has aplied to the Civil Aviation Authority to compete with the British Airways' Shuttle flights on the routes between London Heathrow and Glasgow and Edinburgh.

British Midland will offer six flights a day each way on those routes from October 1, using DC-9 jets at a fare guaranteed to be £20 cheaper return (£10 single) than whatever British Airways charges.

Summer Shuttle fares have not yet been settled, but are expected to rise to £108 (return) and £54 (single) from April 1. If these still apply in October, British Midland fares will be £88 return and £44 single.

Mr. Michael Bishop, chairman and managing director of British Midland, said yesterday that there were two reasons for the bid. One was that British Midland believed the time had come for an independent airline to be given access to high-volume trunk routes in this country.

"Second, we know that there are serious shortcomings in the service provided from Edinburgh and Glasgow by British Airways, if public comment and the letters we receive are anything to go by.

"The potential volume of traffic on the route indicates that a second carrier could easily be justified, and examples elsewhere in the world suggest that where such competitive services exist in parallel the result is an immediate benefit to the user.

"We wish to offer a clear choice — the existing BA Shuttle service with its obvious shortcomings and relatively high fares, or a fully bookable, cost-saving alternative with a high standard of cabin service.

"In our opinion the public should have that choice and we urge the Civil Aviation Authority and the Government to give us the opportunity to prove ourselves in the same way that we have elsewhere in the field of scheduled services."

British Midland carries over 1.25m passengers a year on both scheduled and holiday services.

● Mr. Gerry Draper, director of commercial operations for BA, announced yesterday that free drinks and headsets will be available to all economy and tourist class passengers travelling on BA services between Britain and the Gulf, India, South-East Asia, Australia and New Zealand from today.

Mr. Draper said: "The introduction of complimentary services on these routes is part of a continuing campaign to improve the overall standard of our in-flight service. It follows the introduction of free drinks and in-flight entertainment on flights to and from Hong Kong."

Fare constraints attacked by independent airline

BY OUR AEROSPACE CORRESPONDENT

A GROUP of European independent airlines, including several from the UK, is to step up pressure on governments for major changes in air transport which will allow cheaper fares.

The Association of Airlines of the European Community, which was set up last year, says its members account for about 60 per cent of the total passenger-miles flown by all airlines in the EEC countries. UK carriers involved are Air Europe, Air UK, Britannia Airways, Dan-Air, Monarch Airlines and Orion Airways.

They say they are being thwarted in their aim to offer safe, efficient air travel at the lowest possible cost "by regulations which purport to safeguard the interests of the travelling public," but which in reality are designed to protect the state-owned airlines from independent competition.

The independents want to see more opportunities to enable them to be innovative in fares and to offer a wider range of services.

"The aim is to create a better deal for Europe's air traveller, to modernise European air transport by ensuring it is run more like a business, in line with commercial rather than political criteria, and to return the industry to profitability while providing a wider and more fairly-priced service to the traveller."

But the association says any changes to the system must be approved by those same government officials who have a vested interest in state airlines.

Continental airlines who are members of the group are Air Belgium International, Cimber Air and Conair of Denmark, Euralair International of France, Hapag-Lloyd and LTU Flug, both of West Germany, Maersk Air of Denmark, Minerve of France, Sterling of Denmark and Transavia of Holland.

Western Trust to seek savers new to banking

BY ALAN FRIEDMAN

THE BATTLE for Britain's "great unbanked" population is to be stepped up by Western Trust and Savings, the UK subsidiary of the Royal Bank of Canada which is beginning its second phase of expansion.

The Plymouth-based group will tomorrow add branches in West Bromwich and Derby to its present 18 and plans to open four more in Wolverhampton, Burton-on-Trent, Northfield and Ilford by the end of April.

Mr. Jim MacKay of the Royal Bank of Canada, said yesterday he saw "a market of great potential" in the nearly half of British citizens who do not have a regular bank.

A recent market survey had suggested to Western Trust that much of the British public was poorly served by the major clearing banks.

"We have identified through a lot of market research what we regard as a profitable opportunity to move into a full range of personal banking services," he said.

"Our typical customers may be skilled manual workers and non-professional office workers," said Mr. MacKay. The Western group would offer incentives such as a six-day week, with banks open 9.15 to 5.30, Monday to Friday and 9.15 to 4 pm on Saturday in order to attract new customers.

In addition, Western Trust would provide its Moneywise service—a current account which pays interest when the account is in credit. The interest rate can be as high as 11½ per cent at present.

Change in Preferences and Debentures indices

FINANCIAL TIMES REPORTER

THE three FT-Actuaries indices covering Debentures and Preferences are to be replaced by two indices similar to the British Government Securities series.

The indices will operate from March 17, and will show "xd adjustment" figures — in gross amounts for the Debentures and net for the Preferences.

The base date for both is December 31, 1977, the Debentures starting with a value of 100 and the Preferences starting at 76.72, which is the end-December 1977 value of the Commercial and Industrial Preference index.

The 58 Debenture and Unsecured Loan stocks included are normal loans, with over £11m nominal outstanding, of UK companies. They exclude Convertibles, those with Warrant options and those with large sinking funds. One or two smaller issues are included to help construct the yield indices.

The 40 Preferences included have an outstanding nominal issue over £3m and annual dividends over £150,000. They are all normal cumulative Preferences and exclude redeemables, convertibles, participating shares and those with special voting rights. Dividends must be paid to date.

The stocks or shares used to construct the price indices are almost all used also for the yield indices. The Debenture yield indices will be quoted for terms of five, 15 and 25 years, as for the Gilts. The yields are found by fitting a yield curve to the redemption yields of the relevant stocks, and then reading off the values for the three periods.

There is no division by coupon level. Stocks with less than one year to maturity are excluded, as are those where the interest has not been covered at any time in the past two years. Only two stocks in the price indices need to be excluded at present from the yield indices, which uses the other 56 stocks.

Since all the Preferences are irredeemable, only one yield will be quoted for these. In cases where the Preference dividend has not been fully covered for the past two years, the shars are excluded from the yield index. This eliminates four shares, leaving 36 on which the Preference yield is based.

A list of the constituents is available for 15p (by post 26½p). A list of the values of the indices from January 1, 1978 costs £20. Both are available from the Financial Times, Bracken House, Cannon Street, London, EC4.

The difficult task of protecting copyright

Arthur Sandles reports on the problems of fighting illegal copying

THE current anxiety of organisations seeking to protect copyrights is shown by the fact that the full weight of the music publishing business was brought to bear on a British public school which photo copied carols.

Last week Oakham School, Leicestershire, had to pay £4,250 plus costs for reproducing sheet music over a period of years. The action was brought by Novello and Company with the full support of the Music Publishers' Association.

As consumers are increasingly armed with tape recorders, video-recorders, photo-copiers and cameras, it becomes more difficult to ensure that the creators of material can receive a just reward for their labours.

It might seem that the flurry caused by domestic copying is only a symptom of over-sensitive show-biz moguls. In fact quite large amounts of money are involved. Record companies claim that in Britain alone some £1m in sales is lost each day because of tape recordings from radio and discs.

In the Far East it is sometimes suggested that 65 per cent of recorded music sales are of discs and tapes on which no copyright payment has been made.

In the early days of copying, unsuccessful attempts were made to introduce electronic blockades—bleeps in the middle of records and hidden signals in sheets of paper. Today TV stations tend to end their programmes with copyright notations such as "copyright BBC 1981." But in Middle Eastern airports it is still possible to buy tape recordings of British weekend soccer match reports on Monday mornings.

It is hardly surprising that copyright holders from time to time attempt apparently heartless prosecutions "pour encourager les autres." Perhaps the most persistent is the Performing Right Society, which guards the interests of music writers, both lyricists and musicians.

The PRS in Britain employs team of investigators who visit pubs and clothing stores to demand payment for background music. Even someone who plays a radio in their tea shop could in theory owe a few pounds a year to the PRS. The BBC's bill totals several millions.

The latest to join the ranks of those defending copyrights are the audio-visual companies—the film business, television contractors and the BBC. In Britain they have formed the Video Copyright Protection Society which promises to co-ordinate the work of private detectives and individual company investigators in tracking down major infringements of copyright.

To some people the whole business seems to be an uphill struggle since the resources of the copyist are so great. For this reason attempts have been made in Britain and in the U.S. to introduce legislation which would impose a levy on the copying equipment (tape recorders and video-tape machines in particular) rather than the copies made by them. The tape makers strongly oppose that suggestion.

● A and M Records, owned by Herb Alpert, the recording star, has announced "a major breakthrough in the world-wide campaign against disc piracy. A new system of laser-etching album releases which cannot be copied by illegal counterfeiters."

The secret process produces images which reflect brightly-coloured patterns on the disc so that "record industry authorities, company officials and law-enforcement agencies will find it easy to identify pirate albums by the absence of the laser etching," an A and M spokesman explained.

Most textile sectors show sharp decline in sales

BY JAMES McDONALD

ONLY two sections of the British wholesale textile trade—children's wear and household textiles—increased their gross sales last year compared with 1979. There were falls ranging from 5.4 per cent to 15.9 per cent in the value of sales in the other seven main sectors.

Textile Distributors Association statistics published today show that women's knitted outerwear, blouse and skirt sales last year, less returns, were 5.8 per cent lower than in 1979, while sales of women's coats, costumes, furs and raincoats dropped by 15.9 per cent. Sales of women's underwear and women's hose and children's socks declined respectively by 5.4 and 10.9 per cent.

There was a fall over the year of 15 per cent in sales of men's and boys' ready-made clothing and overalls and of 14.2 per cent in sales of piece goods and nets. Haberdashery, ribbons and wool sales declined by 9.8 per cent.

In the two growth sectors, the value of children's wear sales was 5.9 per cent up on 1979 and sales of household textiles rose by 5 per cent.

Six of the nine sectors had lower stocks, at cost, at the end of 1980 than 12 months earlier.

Compromise payment in Saskatchewan dispute

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

SASKATCHEWAN Government Insurance has paid substantial compensation to Reinsurance Management Corporation for the premature termination of their underwriting management agreement, the High Court was told yesterday.

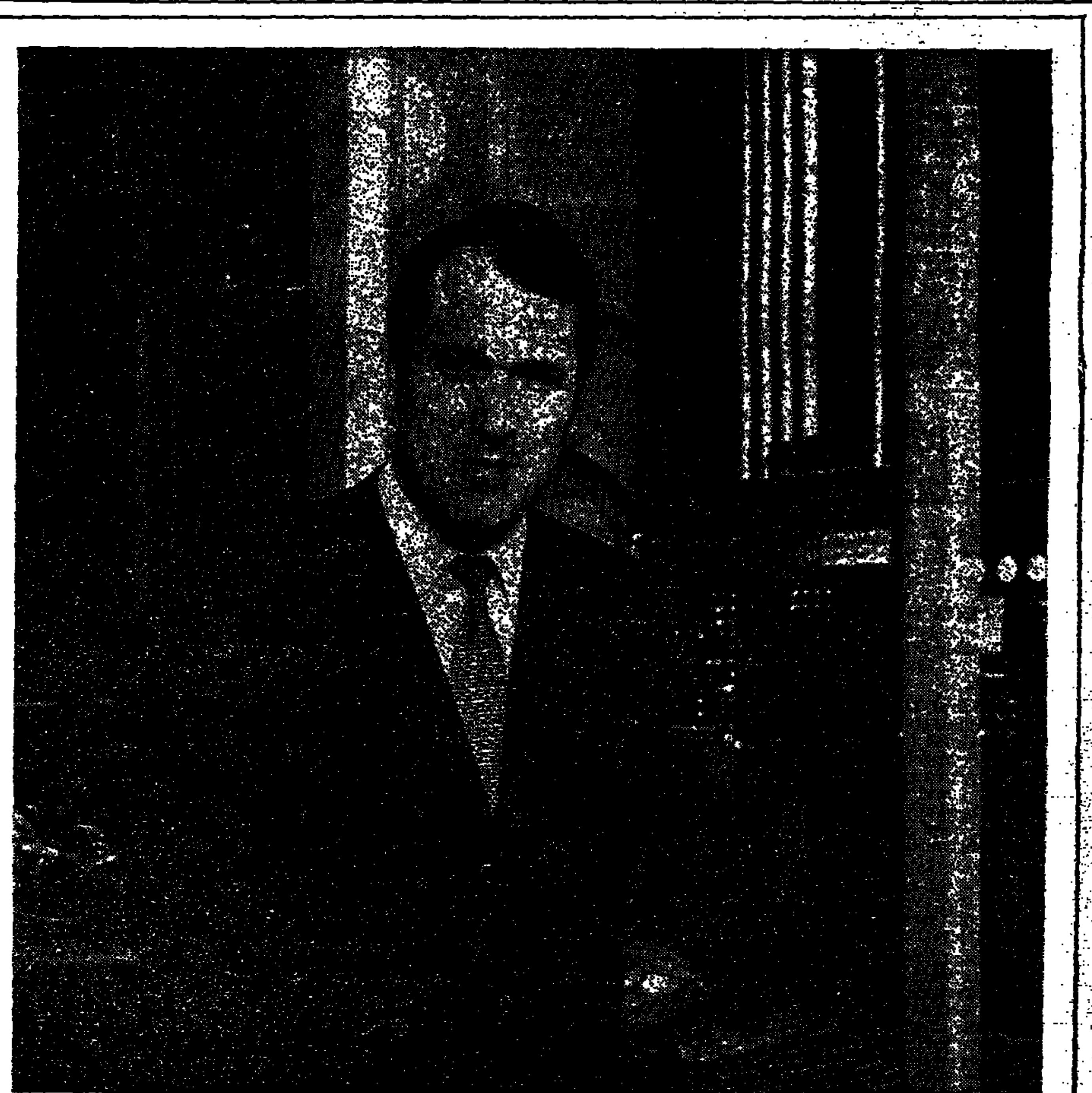
The payment was part of an amicable compromise in a dispute over the agreement, Mr. Andrew Longmore, for RMC, told Mr. Justice Mocatta in the Commercial Court.

Mr. Longmore read a joint statement in which the two sides announced their satisfaction with the compromise, part of which was that each had withdrawn its claims against the other.

The statement said Saskatchewan would honour all treaties made under the agreement and RMC would continue to handle the collection of premiums and any claims arising from the treaties.

Discussions for a compromise had interrupted a court hearing last week of pre-arbitration legal issues arising from the dispute.

Saskatchewan had contended that the 1975 agreement had been invalid from the outset because it had appointed RMC its agent for "all classes" of reinsurance business, which it had no legal power to do under the Saskatchewan Government Insurance Acts.



UK NEWS—LABOUR

Stoppages by water men spread to more areas

BY JOHN LLOYD, LABOUR CORRESPONDENT

MORE groups of water and sewerage workers went on all-out strike yesterday in advance of the meeting today of the industry's trade unions which is certain to call for extensive industrial action if the National Water Council's "final" 10 per cent offer is not increased.

The executive committee of the National Union of Public Employees, the industry's second biggest union with 10,000 manual workers, yesterday authorised industrial action if the 10 per cent offer is not increased.

The National Water Council was meeting last night to review the position, in advance of today's meeting by the trade union side of the National Joint Industry Committee. The meeting had previously been fixed for this afternoon.

Mr. Eddie Newall, national officer of the biggest union, the General and Municipal Workers, which has 20,000 members in the industry, said that he hoped that the employers realised that the membership would never accept 10 per cent. "I would hope they would have the sense to make a further offer now, to avert a strike which no-one wants."

Sewerage workers in Sheffield and repairmen in Leeds, about *160 in all*, refused to turn out yesterday. Workers in the Northumberland and Tyne and Wear districts ceased work at midnight last night.

In Lancashire, around 100 repairmen in Ashton and Oldham remained on strike, and were joined by 40 men from the Rochdale depot, who refused to cross picket lines.

Elsewhere, union officials reported that they were having difficulty restraining the workers from taking unofficial action. All said that there would be massive and immediate support for a national strike.

The council has now made two offers: one of 7.9 per cent last year, and one of 10 per cent last month. Both have been described as "final."

Contingency plans for troops to man crucial water installations in a strike have been revised. A national strike would demand the deployment of around 15,000 troops. It is more likely that the unions will call stoppages in selected areas.

The effects of a strike, which have been widely advertised as being dramatic, are unlikely to be widely felt for some days. The first signs will be a discolouring of tap water, or water stoppages for given times.

Prime Minister's warning, **Page 10**

Civil Service strike notice call

BY PHILIP BASSETT, LABOUR STAFF

CIVIL SERVICE unions will be recommended tomorrow to give immediate notice to the Government of industrial action over pay, including a national one-day strike on March 9, followed by selective strikes at computer *and other key areas.*

Support for a campaign of industrial action came yesterday from the largest union, the Civil and Public Services Association. The results of a union membership consultation exercise showed members voting to be more than two to one in favour of action.

The full Council of Civil Service Unions' meeting tomorrow is expected to endorse recommendations made yesterday by its policy committee, representing all nine unions.

It states that the Government's "final" pay offer of 7 per cent for this year and a form of words for an ordered pay determination system for the future "does not represent the basis for a settlement.

"In the circumstances, the council further agrees that, in the absence of arbitration, there is now no alternative to industrial action." The recommendation instructs Mr. Bill Kendall, CCSU secretary general, "to give immediate notice of industrial action to the Government."

The one-day strike would be followed by selective strikes in areas designed to disrupt Government and business cash flow, with lightning local stoppages to dislocate Government work.

In advance of the full Council meeting Mr. Kendall will this morning meet Mr. Gordon Burrett, deputy secretary in the pay group of the Civil Service Department, to seek clarification of the formula for future pay settlements.

The areas likely to be first examined in this and succeeding meetings between unions and CSD officials are previously-tabled proposals for strengthening the present Pay Research Unit board, which oversees the system normally used to determine pay but which has been suspended for this year; looking again at the comparators normally used; and possibly *ideas for regional and merit* pay which would allow market forces to be brought more directly to bear on Civil Service pay.

The CPSA will support the recommended motion, following the results of a consultation exercise, which included branch meetings and some secret ballots of members. That showed 42,118 members in favour of action with 18,724 against. Fewer than half the union's Civil Service and controlled fringe body members voted.

The results of a ballot of members of the First Division Association, representing senior Whitehall grades, will be known today.

Talbot men agree to try new work scheme

By Our Labour Correspondent

WORKERS AT Talbot's Ryton plant, in Coventry, yesterday decided to operate a new system of flexible working practices and manning levels aimed at improving productivity by about 10 per cent.

The 1,700 vehicle assembly men agreed in sectional meetings to give the new scheme a chance to prove itself over the next few weeks. It will speed up the production line, cut job times and reduce breaks.

The company, in letters to the workforce, had warned that failure to improve productivity could jeopardise the introduction of a new model. The plant presently assembles the Alpine and Solara models.

Shop stewards and union officials had objected to the introduction of the new practices without consultation.

However, Mr. Frank McCarney, the Amalgamated Union of Engineering Workers' convenor for the plant, said last night that the response from the workers was to give it a try.

"If there are any problems with the scheme they will become evident in the next few weeks. We would then take them up as a matter of course between the unions and the *management.*

"If the company is silly enough to take decisions which we can't accept then there might be problems"

Shoe dispute

Financial Times Reporter

SIXTY WORKERS returned to work at a Norwich shoe plant of Shingler and Thetford after a 24-hour stoppage over a piece work payments dispute.

The workers claim they would get 57 per cent less for each pair of shoes produced under the new rate. The management agreed to discuss their grievances once they returned to work.

Bank staff face survey on action

By Nick Garnett, Labour Staff

ASSISTANT SECRETARIES of the Banking, Insurance and Finance Union have been instructed to find out which sections of the union's members would be prepared to be balloted on industrial action over pay.

Reports of this survey are expected to be ready by March 5 when the Federation of London Clearing Bank Employers and the two main unions in the industry are due to meet.

The banks expect pay to be on the agenda for that meeting. They will almost certainly improve their 8.5 per cent offer, but still keep it within single figures.

The Trustee Savings Banks made an 8.75 per cent offer last week, both that offer and one from the five English clearers have been rejected by the Banking, Insurance and Finance Union. The Clearing Bank Union has also rejected the clearers' offer.

Any industrial action by BIFU will almost certainly not take place before the Budget on March 10. The banks and BIFU oppose any move towards a bank profit windfall tax which the Cabinet has been discussing.

● The staff association at the Eagle Star insurance company is instructing its 6,000 members to intensify their industrial action over pay from tomorrow morning.

Staff will be expected to stop work for one hour every day and discontinue operating new systems and procedures introduced since January 1. They could also ban overtime and ask clients on the telephone to put their queries in writing.

The company has offered 11 per cent from January with a further 3 per cent, compounded from July. The staff association and the management have not been able to agree terms for arbitration.

One-day strike by council men

THREE THOUSAND white-collar workers employed by Lincolnshire County Council are to hold a one-day strike on Friday. The decision was taken yesterday by the National and Local Government Officers' Association after peace talks with the authority broke down.

They are expected to be joined by over 2,000 manual workers from the National Union of Public Employees. The strike, in protest over spending cuts, is being staged to coincide with Friday's meeting of the county council, when the budget will be approved for the next financial year.

A NUPE official said: "Direct action is being taken because every rational argument we have put to the County Council has fallen on deaf ears and we now face the decimation of public services and widespread redundancies."

Job cuts warning to BPC print unions

BY JOHN LLOYD, LABOUR CORRESPONDENT

MR. ROBERT MAXWELL, the new chief executive of BPC, Europe's largest printing group, has told print unions that he must achieve rapid reductions in manning levels if the company is to be saved.

The most urgent savings are to be made at the group's major photogravure plant, Sun Printers, in Watford. Mr. Maxwell has said there must be a cut of 20-25 per cent in the 1,700 staff there.

Sun Printers presently prints the Sunday Times magazine, and is likely to receive a contract to print the TV Times from July. However, it is thought likely that Mr. Rupert Murdoch, the new owner of Times Newspapers, will wish to move the Sunday Timse magazine to his own Bemrose subsidiary as soon as the present contract expires.

At the same time, it is understood that the TV Times is asking for assurances of continued production at Sun Printers before finalising its contract.

Mr. Maxwell met the general secretaries of the main print unions briefly late on Monday night. They said they would give their "wholhearted support and co-operation" to implementing rapidly the BPC package.

Redundancies among BPC's 10,500 employees spread across 40 plants will be agreed at both plant and national level in the next few weeks. The managements of each plant have drawn up a list of economies which could be made.

The procedure likely to be followed, both at Sun Printers and throughout the group, will be one of voluntary redundancies, older workers being encouraged to retire early.

● Talks between the British Printing Industries Federation and the print unions for wage rises for the 230,000 workers in the printing industry were adjourned late on Monday night without agreement.

The unions have made a claim for a "new money" increase of £12, to bring the minimum earning level up to £92, together with a flat rate supplement of £5.

The employers have not yet made an offer, but have stressed in talks with the unions th the situation for a large part of the industry was exceptionally *grim.*

In a document given to the union leaders earlier this month, the BPIF said that the real value of sales of general printing over the first three quarters of last year had dropped.

● Talks between the National Graphical Association, the National Association of Operative Printers, Graphical and Media Personnel and the Newspaper Society were also adjourned yesterday without agreement.

The unions had claimed, on behalf of some 23,000 production and clerical workers in provincial newspapers, a "new money" increase of £14.50 a week. The present guaranteed earnings level is £80.

Engineering section to fight TASS injunction

BY OUR LABOUR STAFF

THE Amalgamated Union of Engineering Workers' engineering section decided yesterday to contest an injunction from the union's white-collar section, TASS, which is seeking to prevent the engineering section from proceeding with internal rule changes.

TASS claims that the rule changes—the most important being expanding the engineering section's policy-making body, its national committee, from 52 to 91 members—will relegate TASS to a completely subordinate role in an enlarged national conference of the four sections of the present full AUEW.

It claims the expansion of the committee would breach the rules of the full amalgamation.

The executive of the engineering section, the largest of the four, decided yesterday to contest the action, though, if necessary to the appeals stage.

Mr. Terry Duffy, president of the engineering section and the full AUEW, said: "Our executive is the custodian of the rules of our section and we are dismayed and disappointed that TASS is taking us to court."

The TASS action, particularly if it is contested, could prevent the engineering section's national committee annual meeting from taking place in April.

More care for elderly urged

FINANCIAL TIMES REPORTER

SWIFT action to avert a crisis in the provision of care for pensioners was called for yesterday by the Confederation of Health Service employees.

Mr. Albert Spanswick, gener secretary of the union, gav warning that Britain fac crisis of the "most horrifi portions." Health and welfare services were declining while the number of elderly people was rising dramatically.

Mr. Spanswick, launching a union report entitled In Defence Of The Old, said: "The appalling truth is that we are not meeting the standards laid for current provision.

UK NEWS—PARLIAMENT and POLITICS

Joseph backs 'optimistic' £150m plan as British Steel's last chance to become profitable

SIR KEITH JOSEPH, Industry Secretary, issued the following statement in the House of Commons yesterday.

"No one in the House can welcome the position in which much of the steel industry finds itself. It has been nationalised, denationalised and renationalised. It has been encouraged by Governments to carry out unrealistic investment programmes. The party opposite refused to allow BSC to close surplus steel capacity. Its workforce went on a three months' long strike. Now the market has collapsed and the high value of sterling has created serious difficulties for private and public steel firms alike—here and in Europe.

BSC, which should have been allowed to contract gradually by the last Labour Government, cut manned steelmaking capacity from 21.5m tonnes of liquid steel to 15m and shed 50,000 jobs in 1980. Works were closed and manning levels slimmed to raise productivity.

A report by BSC on its plans has been placed in the Library of the House and in the Vote Office. The aim is for BSC to become inter-nationally competitive.

Mr. Ian MacGregor, BSC chairman, has reorganised the corporation into separate businesses, each responsible for the production and marketing of a specific product range. He is planning a manned capacity of 14.4m tonnes of liquid steel annually but is committed, if the assumptions behind the plan are not sustained, to reduce the corporation to a size that can in fact make a profit.

BSC's results will depend not only on its own performance but on factors such as exchange rates, the European market and any upturn in steel ordering in the UK. Mr. MacGregor admits that his plan is optimistic and I think he is right. He has made it clear to government and to the managers and workforce of the corporation that there will be no future for any operations that are not competitive.

BSC has asked the Government for an extra £150m in 1980-81 bringing the total external finance requirement to £1,121m and for £730m in 1981-82.

This is huge money for taxpayers to find, particularly when unsubsidised private sector steel companies, some in competition with BSC, face extreme difficulties. The Government are greatly concerned about the impact of the European steel recession plus BSC's vigorous marketing on private firms. I therefore recently authorised BSC to negotiate viable joint private companies with those firms whose operations overlapped its own.

Agreement on one such company, Allied Steel and Wire, was announced on Friday. Transitional arrangements for some of the assets of Duport Steel were announced yesterday.

Setting up more joint companies takes time and will not entirely deal with the problem of competition between BSC and the private sector. I have stressed to Mr. MacGregor that BSC must compete fairly with private firms and have pointed to widespread complaints that BSC is unfairly undercutting private firms.

He replies that BSC and private firms' prices have increasingly been undercut by other EEC producers. The corporation has therefore had to price down. The private sector has had to do the same.

He has assured me that it is not BSC's policy to sell its steel more cheaply than imports, but only to match the prices charged for them.

Mr. MacGregor has further undertaken personally to investigate any specific allegations of unfair pricing that are put to him by companies or by Honourable Members. I have asked the Under-secretary of State to monitor these complaints and to report to me.

And, in order to make BSC's operations more transparent, and to pave the way for further privatisation, Mr. MacGregor has agreed to consider placing those BSC businesses which are in competition with the private sector in separate Companies Act companies.

Mr. MacGregor has said that by all normal commercial criteria BSC is bankrupt. Because BSC is a statutory body it cannot be liquidated like a private sector company and the Government and taxpayers cannot therefore at present escape from funding BSC.

Recognising therefore that the BSC plan is optimistic but recognising also that BSC should be given a last chance to cease to burden the taxpayer by becoming profitable, the Government is prepared, on condition that the corporation behaves responsibly towards the unsubsidised private steelmakers, to approve BSC's corporate plan and to provide the finance needed to implement it.

BSC's target is to reduce its loss before interest from an estimated £480m in 1980/81 to £225m in 1981/82 and to achieve breakeven in 1982/83. We shall increase BSC's external financial limit for 1980/81 to £1,121m and have set its EFL for 1981/82 at £730m. These large figures reflect BSC's substantial though reduced losses, but also provide for heavy redundancy and closure costs and a limited programme of essential capital expenditure.

I must also emphasise that, if Mr. MacGregor's optimism is not justified, further closures and redundancies may be necessary. The Government will monitor progress closely in each of BSC's businesses. Mr. MacGregor will give us his assessment of progress by July.

To implement these decisions some changes in the law are needed and I have today published the Iron and Steel Bill 1981. This amends the Iron and Steel Act 1975 to ease the transfer of businesses to the private sector and to permit an extensive rundown of the corporation if that proves necessary.

We also need to deal with the mistakes of the past. The Bill will write off some £3,500m of BSC's capital immediately, will provide a power to write off a further £1,000m later and will make consequential adjustments to the corporation's borrowing limit. This does not represent the commitment of additional funds; it marks the huge cost to the taxpayer of over-ambitious, centrally directed investments and the uncompetitive use of many of them.

The plans involve job losses in areas where unemployment is above the national average but which are already Assisted Areas, so considerable support is already available to encourage new investment and to help the jobless to find work. The Government does not intend to alter the Assisted Area status of any steel closure area at this time but we do not underestimate the problems for the communities and people concerned.

I shall, if necessary, consider whether any regrading would be appropriate.

We shall also seek to ensure that market conditions in Europe are improved. The production quotas imposed under Article 58 of the Treaty of Paris expire on June 30 and we are already discussing with our Community partners the measures to replace them. We intend to ensure that reductions in capacity are equitably shared among the members of the Community and that, so far as possible, short-term market conditions do not invalidate long-term commercial objectives.

The financial provision we propose will require approval from the European Commission.

The Government may have had to spend taxpayers' money this time, but we are seeking powers to relieve the taxpayer of the inescapable obligation to fund BSC indefinitely. The Government intends the competition the private sector faces from BSC to be fair and we expect more public/private steel firms to be created which will be in the private sector.

It is a tough time for all who work in the steel industry. There can be no guarantee of survival. But for those who are or who become competitive there is far more hope of a secure and prosperous future than for those who do not become competitive."

BRITISH STEEL CORPORATION SOURCE AND APPLICATION OF FUNDS

£ million	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80
SOURCE OF FUNDS						
Long Term Funds						
Public Dividend Capital	45	344	490	445	—	—
New Capital under Section 18 (1) Iron and Steel Act 1975	—	—	—	—	850	905
NLF Loans	(78)	131	161	216	(161)	(209)
	(33)	475	651	661	689	696
Foreign Loans	215	184	214	133	(8)	(35)
Short Term Borrowings	123	(1)	66	7	34	(94)
	305	658	931	801	715	567
APPLICATION OF FUNDS						
Required for Operating Losses	(165)	136	(21)	365	209	507
Redundancy and Closure Costs	—	—	22	70	60	80
Fixed Assets, Investments and Long Term Debtors	266	52	543	409	286	228
Working Capital	197	(1)	387	(43)	160	(248)
Dividend	7	—	—	—	—	—
	305	658	931	801	715	567

Source: BSC corporate plan

PM warns on water workers' pay claim

By John Hunt

ANY INCREASE in the 10 per cent pay offer to the water workers would be at the expense of people less well off, the Prime Minister warned in the Commons yesterday.

Mrs. Thatcher was replying to Sir Derek Walker-Smith (C. Hertford East), a senior backbencher, who cautioned the Government not to prove its "machismo" against the water workers following the miners' dispute.

He said any Government influence or intervention in the water workers' claim should have regard to its merits and not to extraneous considerations. Sir Derek said Conservative backbenchers understood why the Government had not picked up the gauntlet thrown down by the miners.

Now it should resist the temptation to adopt an excessively robust attitude to the water workers, a smaller and less powerful group who did valuable work in society.

Mrs. Thatcher told him that with regard to the merits of the case, many people would like a job which had the water workers' security together with the big increase they were being offered.

Surprisingly little stir was created in the Commons yesterday by the rise of 43,843 in February's unemployment figures, bringing the total out of work to 2,463,294.

Mr. Christopher Price (Lab., Lewisham West), said that, having made a U-turn with the miners, Mrs. Thatcher should now say what level of unemployment would force the final U-turn in Government economic policy.

The Prime Minister said she would give the same reply she had always given — "to fight inflation is the best way to fight unemployment."

Mr. James Prior, the Employment Secretary, also had a fairly easy time when he answered questions earlier. Mr. Eric Varley, Labour's Employment spokesman, said the present level of unemployment was intolerable and a reflection of the inevitable collapse of the Government's economic and industrial policies.

Mr. Prior denied that the Government economic policies had created the situation.

Bill will allow BSC wind-up if plan fails

BY IVOR OWEN

LEGISLATIVE powers being sought by the Government will facilitate the winding-up of the British Steel Corporation, if it becomes apparent that the MacGregor survival plan is not going to succeed, Sir Keith Joseph, the Industry Secretary, told the Commons last night.

He stressed that in agreeing to provide the finance needed for BSC to have a "last chance" to become internationally competitive, the Government recognised that even the most determined efforts by management and workforce might be frustrated by such factors as market conditions and the strength of sterling.

Sir Keith described the corporate plan submitted to the Government by Mr. Ian MacGregor, the BSC chairman, as "optimistic."

Asked by Mr. Peter Emery (C., Honiton) for a frank assessment of the results likely to be achieved by BSC over the next two years, Sir Keith said: "Mr. MacGregor and the BSC are not going to sit back passively and wait for their forecasts to be nullified.

"They will take what action seems to be necessary, as events unfold."

This led Mr. Charles Fletcher-Cooke (C., Darwen) to suggest that the Government should prepare for the unfortunate possibility of the failure of the survival plan by taking powers in the new Iron and Steel Bill to wind up BSC should the need arise.

Joseph: described corporate plan as optimistic

Sir Keith answered: "That is virtually what the new Bill enables to happen."

Mr. Stan Orme, Labour's Shadow Industry Minister, attacked Sir Keith for talking about the possible liquidation of BSC.

The corporation's problems, he contended, stemmed from Government policies, particularly the strength of sterling.

Mr. Orme called on the Government to encourage greater co-operation between management and workers in the industry so that BSC could grow and prosper.

Sir Keith accepted that the strength of the pound had an effect on all British companies, but insisted that it did not follow that the Government controlled the strength of sterling.

In underlining the Government's determination to relieve the tax payer of the inescapable obligation to fund BSC indefinitely, Sir Keith also sought to alay fears about the effect of the corporation's pricing policies on private sector steel companies.

He explained "The Government intends the competition the private sector faces from BSC to be fair, and we expect more public/private steel firms to be created which will be in the private sector."

But this failed to satisfy Mr. Jock Bruce-Gardyne (C., Knutsford) who pointed out that there were many independent steel companies who would feel that BSC was bing "judge and jury" when dealing with their complaints about the effect of subsidised competition.

Emery: asked for assessment of BSC's results

Sir Keith replied that Mr. MacGregor had assured him that he did not intend that there should be any unfair competition with private.

Any complaints taken to the BSC chairman which could not be satisfactorily resolved would be referred to himself, and Mr. Micael Marshall, a junior Minister at the Department of Industry who had 17 years experience in the private sector steel industry, for conciliation.

Mr. Denzil Davies (Lab. Llanelli), who made an unsuccessful attempt to force an emergency debate on the closure of the Duport steel works in his constituency with the loss of 1,200 jobs, blamed Government policy for many of the difficulties facing private sector steel companies.

He emphasised that the energy costs at Duport's Llanelli plant now actually exceeded the wage costs.

Another Labour backbencher, Mr. Pat Duffy (Sheffield Attercliffe), whose constituency contains a number of leading private enterprise steel companies including Firth Brown and Hadfields, said it had been made clear to him that they felt bitter, neglected and victimised.

Ignoring the jeers of Labour MPs, Sir Keith retorted that the troubles facing the steel industry were due to nationalisation which Labour Governments had undertaken not once but twice.

Thatcher unmoved by Brezhnev's plea for arms talks

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

PRESIDENT Leonid Brezhnev's suggestion of a fresh initiative on strategic arms limitation talks received a cool response from Mrs. Margaret Thatcher in the Commons yesterday.

The Prime Minister emphasised that a nuclear moratorium might well suit Russia, as there had been a huge increase in the number of Soviet SS20 missiles pointed at Western Europe.

Mrs. Thatcher was being questioned in the House on the eve of her departure to Washington for her meeting with President Ronald Reagan.

She was commenting on Mr. Brezhnev's speech to the 26th Congress of the Soviet Communist Party on Monday, in which he suggested a summit meeting with Mr. Reagan and said he would welcome talks with the new U.S. Administration at all levels.

Mr. David Steel, Liberal leader, advised Mrs. Thatcher to urge Mr. Reagan to make a positive response to the speech. He said the continuing arms race was causing anxiety among people of all political persuasions in the UK.

The Prime Minister told him President Reagan would be looking very carefully at the speech, as was the British Government. But she claimed the best way of improving East-West relations was not to make speeches but to withdraw Soviet troops from Afghanistan.

Mr. Michael Foot, Opposition leader, called on her to give her mind to the speech. He said she should urge President Reagan and the other powers concerned to make a constructive response to the proposals for arms limitation. She should go to the U.S. in the knowledge that stopping the arms race was the most important question of all.

In reply, Mrs. Thatcher repeated that the best way to improve relations would be a withdrawal from Afghanistan.

With regard to the proposals for confidence building measures and arms limitation, it should be remembered that Russia had already gone further than the West in developing theatre nuclear weapons, she said. There were occasions when it would suit the Soviet Union to halt further deployment of them.

There were sceptical jeers from the Tories when Mr. Foot told the Labour Party had always been in favour of Soviet withdrawal from Afghanistan. He felt the Government should take the opportunity to seek an agreement in the light of the Brezhnev speech and the suggestions for arms control which had been made at Madrid.

He called on her to make a "herculean effort" to stop the arms race while she was in the U.S. and to proceed in that spirit.

Retorted Mrs. Thatcher: "The spirit I am showing is thoroughly realistic."

The number of SS20 missiles deployed was "way, way above" anything the West had.

"We are concerned to get a nuclear arms reduction with a genuine balance," she said. "We could not have a reduction that would leave one side much better off than another."

Tory voters losing faith, backbencher warns

BY ELINOR GOODMAN, LOBBY CORRESPONDENT

THE SERIOUS disquiet among Tory Right-wingers about the Government's retreat from the miners surfaced last night in a speech from a Conservative backbencher once considered to be one of Mrs. Thatcher's most loyal supporters.

Mr. George Gardiner (C. Reigate) warned that many who had supported Conservatives at the last election were now asking whether the Government knew where it was going or whether Ministers had lost their way.

The Government, he said, had fulfilled expectations in some areas, but had fallen short in others. There still seemed to be one "soft set of rules for state industries" and another "harsher set for the private sector."

Nevertheless, Mr. Gardiner defended Mrs. Thatcher's handling of the situation. The announcement of the pit closures had, he said, been "badly bungled." But sometimes it took more courage to "order a retreat than to attack."

Mr. Gardiner's speech reflected the anxieties of many Right-wingers and was meant to counter-attack the recent flurry of Ministerial speeches about the need for the Government to adapt its policies to circumstances, and re-occupy the centre ground of politics.

He insisted that the party would not regain the support of the electorate by appealing to the "amorphous" political centre.

The Government needed to re-assert its "collective faith in the policies and principles upon which the last election was fought and won."

Last year Mr. Gardiner was one of the Tory MPs urging the Government to take a tougher line over trade union legislation.

Social Democrats to go next week

BY ELINOR GOODMAN, LOBBY CORRESPONDENT

LABOUR'S Social Democrats are now set to make their final break with Labour early next week. At a private meeting on Monday they agreed it would do them no good to prolong the public agonising which began when they formed the Council for Social Democracy a month ago, and that a coordinated break should be made next week.

This will be followed a few weeks later by the formation of a new party.

The 11 MPs who signed the Council's original declaration agreed at the outset to adopt a step-by-step approach to leaving the party and that, within limits, it would be up to each MP to set his own timetable.

Dr. David Owen set the pace shortly after the Council's launch when he told his constituency that he would not stand again as a Labour candidate. Since then, most CSD members at Westminster have told their local parties they will not stand under the Labour banner again.

Two — Mr. Tom Ellis and Mr. Richard Crawshaw — have already gone the full distance and officially resigned the Labour whip, but others like Mr. Bill Rodgers, one of the CSD's founders, and Mr. Robert Maclennan have still to spell out their intentions to their local parties.

But the feeling now seems to be that this piecemeal approach to leaving the party has gone far enough, and that a clean break should be made next week, even if Mr. Maclennan has not by then had time to see his local party again.

At Westminster, it is now a foregone conclusion that the 11 will leave Labour and the members of the CSD are coming under pressure to make the final break. Once they have done this, they will concentrate on building up the organisation they will need once a new party is launched.

Behind-the-scene talks have been going on for several weeks with the Liberals about a possible alliance both inside and outside Westminster. When next week's announcement has been made, CSD members will be able to pursue this more openly, though they are unlikely to agree to Liberal requests for them to back Liberal candidates in the local elections.

Sick pay plan will be revived

By John Hunt

A MODIFIED proposal for employers to meet the first eight weeks of sick pay will be brought forward in a new Bill in the autumn, Mr. Patrick Jenkin, Social Services Secretary, told the Commons yesterday.

He was speaking on the second reading of the Social Security Bill, whose original proposals to put the liability for the first eight weeks on employers were dropped after protests from the Confederation of British Industry.

"We have decided to postpone that legislation to the next session of Parliament," Mr. Jenkin told the House. "When I say postpone, I mean precisely that."

Such a change was essential, if the Government was to achieve its purpose of bringing short-term benefits within taxation. It would save some £400m in [illegible]blic spending, but there [illegible] he compensating adjust- [illegible] recompense employers f[illegible] [illegible]tra burden

'Compensate shipbuilders' call

BY LYNTON McLAIN, TRANSPORT CORRESPONDENT

MR. GEOFFREY RIPPON and other senior Backbench Conservative MPs yesterday called for the Government to introduce a retrospective legislation to provide fair compensation for warshi pbuilding companies nationalised almost four years ago.

Vosper Thorneycroft, the Southampton builder of naval craft, has received £5.3m compensation in return for the nationalisation by the last Labour Government of its assets worth £35m, at 1977 prices.

Yarrow, the Clyde-based warship makers, received £6m for nationalisation of its £15m to £20m of assets.

The Government has no plan to increase the level of compensation and Vosper and Yarrow have tabled separately legal actions with the European Court of Justice at Strasbourg to get a ruling that compensation so far has been inadequate.

Success at the Court of Justice would lead to the case being taken to the European Court of Human Rights.

Mr. Rippon, the Conservative MP for Hexham, the sponsor of the Aircraft and Shipbuilding Industries' Compensation Bill, debated briefly on January 30, said at a conference at the Institute of Directors yesterday that there was "no constitutional problem in using retrospective legislation to get fair treatment for the company."

Mr. Rippon is also one of a number of MPs who have called for a second reading in the House of Commons for the Bill of Rights which has already been discussed in the House of Lords. If a Bill of Rights became law, then companies aggrieved by unfair compensation would be able to take their case to British courts instead of, as now, only to the European Court of Justice.

London roads 'need much more cash'

BY LYNTON McLAIN

THE Greater London Council had so little chance of getting the vast sums of money needed that big road schemes were not now considered in detail, council leaders told a committee of MPs yesterday.

The council could afford to spend only £20m-£30m a year for road improvements in London, officials said in evidence to the Transport Committee of the House of Commons. This was "quite out of scale with what was needed to put right the major weaknesses in the road system of the capital," the MPs were told.

Three relief road schemes, the docklands northern road, the Rochester Way road, and the west London relief road, would cost over £300m. Other major schemes, such as the Hayes bypass needed to relieve pressure on roads to and from Heathrow airport, and dozens of minor schemes were also needed urgently.

The transport committee, which is investigating transport in London, earlier said the roads of London were a "national scandal."

Mr. Alan Greengross, leader of the planning and communications policy committee of the GLC, agreed that they could not now meet the demands

Control of spending spelt out

By Margaret Van Hattem

TREASURY OFFICIALS appeared for the first time before the Commons Select Committee on procedure yesterday to spell out to backbenchers precisely how much—or how little—control they have over Government spending.

The committee, headed by Mr. Terence Higgins (C., Worthing) is attempting to reverse what members see as an erosion of backbenchers' rights to keep a tight financial check on the executive. Many backbenchers on both sides of the House resent the fact that, while they may vote on large composite spending packages, they have little or no opportunity to reject some smaller individual measures to which they may object.

The committee, which is expected to report this year, may attempt to strengthen this control through the newly vitalised committee system.

Mr. Enoch Powell (Official Unionist, Down South) yesterday questioned Mr. Michael Bridgeman, leader of the Treasury's team of three, on Government borrowings.

Could Parliament enquire into the Government's fund-raising methods — its recourse to borrowing rather than taxation, for example? This, he was told, would be unusual. The public accounts committee could initiate inquiries — into the propriety of the Government's borrowing activities, for example. But it had never inquired into individual borrowings.

Powell hits at plan for nationality

MR. ENOCH POWELL, (Unionist, South Down) yesterday urged the scrapping of a proposal for the children of non-British citizens settled here to gain automatic British nationality at birth.

Mr. Powell attacked the proposal—part of the Government's British Nationality Bill—as "misconceived."

"It is wrong and unjustified to impose upon children at birth a nationality which both parents have deliberately eschewed," he told the Commons committee examining the Bill, and moved an amendment to delete the proposal.

The provision would mean more cases of dual nationality, particularly for people from new commonwealth countries, he said.

He saw dangers of "civic conflict" and would be neglecting his duty if he did not say so, he said.

But Mr. Timothy Raison, Home Office Minister of State, recommended rejection of Mr. Powell's amendment and reiterated Government determination to see the Bill become law.

"It is in the interests of good race relations in this country that children born here to settled parents should be British citizens," he said.

"We believe that this is a measure which is needed and we shall not shrink from this task because it is difficult and demanding," he said.

Denying that it was racially discriminatory, he said it would apply across all racial boundaries.

MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

A blueprint for a small company

Christopher Lorenz turns the spotlight on the strategy of a family-owned group

ON FRIDAY evening the top 32 managers of the Williams Lea group will gather in a stately home, at a safe and peaceful distance from their London head office, to spend 48 hours plotting long-term strategy.

This type of brain-storming, consensus-building session on neutral ground has become an almost mundane way of preparing strategy within multinationals and other large companies. But this weekend's meeting, at Ashridge Management College in Hertfordshire, is doubly exceptional.

Not only is Williams Lea a relatively small company, with just under 500 employees, but the session really could bring about a radical transformation of its strategy and shape.

The last time the group held such a get-together, nine years ago, it provided the impetus for just such a revolution. It confirmed and fleshed out an already emerging strategy of market specialisation, launched a process of selecting precise market segments for particular subsidiaries, and helped generate commitment to an annual planning system which was—and still is—surprisnigly thorough for such a small company.

Underlying the Ashridge meeting in 1972, and everything the company has done since then, is a crystal-clear distinction between strategy and plans: strategy as the company's sense of direction, which remains unchanged for years at a time, and planning as the annual process of deciding the next steps that must be taken towards achieving the strategy.

The initial specialisation strategy has now been achieved, as yesterday's article on this page explained. But the external challenges to the company are greater than ever before.

The most obvious is the impact of new technology. Such has been the rapid development of microelectronics, information processing and communications technology, that the threats and opportunities posed by new technology now reach far beyond the production floor, into every corner of Williams Lea's business.

QUESTIONS FOR THE 1980s
TONY WILLIAMS' STRATEGIC GUIDELINES

PURPOSE:	What business are we in now ? What business should we be in by 1990 ?		e.g. New products, new markets, new technology, new skills
REVIEW:	Our strengths and weaknesses Opportunities we can seize *Threats we must overcome*	PLANS:	Rough timescale for achieving objectives and implementing new strategies
OBJECTIVES:	Financial Markets Growth, etc.	EVALUATE:	*How realistic is this ?* Where can we go go wrong ? What might trip us up ?
STRATEGIES:	How we will achieve our objectives	RELATE:	Company plan to Group philosophy

As a result, the group may either have to transform itself from a collection of specialised printing businesses into an electronic communications specialist, or risk seeing some of its subsidiaries obliterated.

In stark contrast with many other, much larger companies, this realisation did not come as a bolt out of the blue for Williams Lea. The group's 52-year-old managing director, chief strategist and main shareholder, Tony Williams, conforms in no respect whatever to the image of a small businessman with his eyes glued to his own narrow products and markets.

Innately inquisitive and open-minded to the world around him, his reading habits are described by a close associate as "remarkable—he will read from cover to cover many management books that other people scarcely glance at."

As a result of his openness to change, Williams was well ahead of the game in appreciating how important microprocessors would prove, not only to production processes but also to entire businesses.

But it was not only the challenge of new technology that prompted him to call this weekend's meeting.

Williams also feels the need to break the planning cycle, which inevitably has tended towards an annual "adding" of one year on to the previous plan. (The development of the group's approach to planning is described in the article below.)

A regular, annual planning cycle tends to tail off after several years, "so you end up in a monitoring situation," says Michael Thompson, Williams' deputy. Managers are then tempted "to put their carpet slippers on." Alternatively, "the centre remains randy and says 'let's lead them somewhere'."

In order to give the Ashridge meeting a chance of producing significant and lasting results, thorough preparations for it have been made over the past 15 months. One of the first steps taken by Williams and Thompson was to seek outside assistance in taking an unusually broad view of the changing business environment. They turned to one of their oldest contacts, Philip Sadler, now principal of Ashridge who, as its first director of research, had used Williams Lea in 1965 as a case study in organisational development. A year ago Sadler was appointed to the group's Board as a non-executive director.

Planning this weekend's conference: directors of the Williams Lea Group at their special meeting in December, including (third from left) Michael Thompson, with Tony Williams and Philip Sadler together on the right

Two months ago a special board meeting was held to plan the conference in detail, and a set of papers was circulated to everyone who will be attending. These contained a series of guidelines from Williams (most of them, significantly, in the form of questions—see table).

There was also a checklist of 51 specific questions, grouped under the headings of markets, products, technology, personnel and finance. Dealing with the issues they raise will require extensive knowledge of the likely impact of various groupings on each other, and thorough questioning of established policies and practices.

Most of the questions are focused on the external market and on competitive factors, though there is a high degree of reassessment of internal strengths and weaknesses, opportunities and threats.

One of the underlying concepts is that of moving from a product company to one which provides what Williams calls a "total integrated communication service." This implies a redefinition of resources and markets, as well as strategies. "We must move from looking for print orders to asking "what role do and can we play for particular types of customers," says Michael Thompson.

Many of these questions will already have puzzled the conference participants, and Williams expects by no means all the issues behind them to be resolved this weekend. Just like nine years ago, he sees the meeting producing a consensus on some issues, supplemented by recommendations for action, with designated task forces and target completion dates.

How disparate units rode a seesaw to become a cohesive group

"The whole purpose of all this planning is to lift managers' heads up from the day-to-day, and help them to take a longer-term view," says Tony Williams.

"There's nothing sacrosanct about a plan," he continues with emphasis. "But it does provide a base from which you can make changes, and have some idea where you'll end up—otherwise you are on shifting sands. It doesn't in any way deter us from our opportunistic inclinations," he says, declaring his entrepreneurial pedigree.

Williams admits that he and his colleagues at Williams Lea went through a violent see-sawing exercise in 1970 and 1971, before they settled down to the present format in the wake of the first Ashridge strategy conference. "Our first plan was over-simplistic," he says, while the second "was far too elaborate, with an awful lot of chat and irrelevant information."

By 1974 the plans were reflecting Williams' recognition of the growing unpredictability of the world outside. It contained not only the usual single-line forecasts, but also a section entitled "analysis of risk."

Apart from the obvious, but oft-forgotten, remark that an economic downturn would produce lower results than forecast, this warned of the danger of reacting to inflation either too quickly ("by raising prices above market rates") or too slowly ("with a failure to recover true costs"). It took many larger companies years longer to develop the flexible thinking which such statements reflect.

The latest document, though still using single-line forecasts for the four years ahead, has a lengthier "analysis of risk," and also contains a salutary comparison of past forecasts with the actual outturn. Among the other additions since 1974 is a substantial discussion about the need to strengthen management training and resources.

Echoing his counterparts in Shell, Ciba-Geigy and the other multinational giants already featured in this series of articles, Michael Thompson, deputy managing director of the Williams Lea group, adds the crucial remark that "the figures in the plan are far less important than the thinking behind it and the process of doing it."

All the 32 people who will be at the Ashridge meeting this weekend are directly involved in Williams Lea's long-term planning process, if one includes both the group plan and those of the individual subsidiaries. With additional managers brought in at subsidiary level, nearly 10 per cent of the group's employees take part in some way in the annual planning cycle. Planning has thus become an important instrument in the very open style of management which Tony Williams begun to introduce to the group in 1970 after his appointment as managing director.

When he took over, Williams Lea was still a set of disparate family units, and the group "had no clear strategy at all." As part of the building of a decentralised but tightly-controlled structure, he recruited several people from outside the families to provide central services. Among them, as marketing director, was Michael Thompson.

Thompson makes clear that the need to make the control system really effective was a further reason for the introduction of long-term plans, for both the group and the five individual subsidiaries.

Philosophy

For the first three years, all the annual plans were written at the centre. Thompson recalls that "at first, there was no overwhelming enthusiasm on the part of the subsidiary managing directors, but by 1973 they genuinely didn't want to operate without them." By then the first seminal weekend conference had been held, offering the management teams of the five subsidiaries their first real chance to meet and communicate.

Until the meeting, Williams *Lea had been in the peculiar* position of carrying out an annual planning exercise without the background of a clear business strategy—except in Tony Williams' head. Out of the Ashridge conference came defined group objectives, a philosophy and policies. So it is not surprising that the subsidiaries' commitment to planning, and their readiness to become involved in it, rapidly took a turn for the better.

The recent evolution of Williams Lea's planning is most vividly illustrated by three examples: its analysis of competitive strengths and weaknesses; the current reclassification of its constituent businesses into new categories; and the associated move to differentiated profit targets for its subsidiaries, which now number eight, after the intervening years of acquisitions and disposals.

Not surprisingly for a small company, Williams Lea has adopted a relatively uncomplicated approach to all three items so far. "We haven't been too strong on strengths and weaknesses," says Williams. "I've never been sure they'd be very helpful to us without much more research on competitors, economic trends and so forth." But with the intensification of competition and the increasing pervasiveness of new technology, a strengths and weaknesses analysis was prepared for the latest plan and will be extended in future years to include, among other things, a list of competitors and their comparative financial ratios.

The group's overall objective at present is that each of its subsidiaries should produce a pre-tax return on sales of at least 10 per cent; some already make over 15 per cent in most years, and Williams believes that 20 per cent would be a fair target for a few of the constituent activities within them.

Formal differentiation is likely to go hand in hand with Williams' proposed reclassification of the activities into three types: at the top end of the spectrum, what he calls "people" activities, such as computer services and advisory or management services; in the middle, "people and plant," including most of the group's existing activities; and on the other hand, "people and supplies," such as merchanted business forms and computer supplies, with a possibly low return on sales but a high return on capital. This classification is likely to prove one of the major talking points this weekend.

Previous articles in this series appeared on November 7 and December 5, 1979, and, in 1980, on February 5, March 4, March 5, June 2, July 21 and 22.

Technical News

EDITED BY ARTHUR BENNETT AND ALAN CANE

How to spot tigers with feet on ground

A ROBOT aircraft with a wing-span of 12 feet and an 18 horse power engine, designed to fly under the control of an on-board computer, has made a successful first flight, the Cranfield Institute of Technology states.

Named the Machan (after the tree-top tiger-spotting platforms used by hunters in India), the aircraft was designed and built by CIT staff under a Marconi Avionics contract as part of a Ministry of Defence programme of research into pilotless aircraft.

On its first flight, from the Royal Aircraft Establishment airfield at Thurleigh, Bedford, the Machan was radio-controlled from the ground, though the digital computer on board was in control for part of the 10-minute flight. It reached a height of 250 feet and a speed of about 80 mph.

As a small research or reconnaissance aircraft carrying a television camera, the Machan would be launched by compressed air and controlled on the first stage of its flight from the ground by means of a short control column radio-linked to the rudder, elevators and ailerons.

But in the later and more critical stages of its flight the Machan would be guided by the computer, preprogrammed on the ground to fly whatever mission may be required. The computer receives signals from its programme and also from a three-axis gyro and height and speed sensors.

In some roles, pilotless aircraft have important advantages. Their cheapness (a production version of the Machan might cost as little as £10,000) means that they can be made and flown in large numbers. They may also have civilian uses such as traffic and coastal surveillance and crop spraying.

The Machan is 7 feet long, with a tail-mounted propeller, and can carry 33 pounds of equipment. Its top speed is more than 100 mph and it can fly for two hours at a cruising speed of 70 mph. The aluminium fuselage is diamond-shaped in cross section, which is easy to manufacture. It may also reduce the aircraft's "signature" on radar; since flat surfaces tend to produce a low radar reflection.

The wing has an alloy spar and glass-fibre skin. The Machan is designed to land normally on two skids, though an emergency parachute is fitted in a pod on top of the fuselage.

NEWS IN BRIEF

CONTAINERS

MORE AND more companies are becoming cost conscious, says the research and redevelopment department of Linvar, Barkby Road, Leicester (0633 769181).

So, to match the economic climate, is a starting price of 33 pence a container for the company's new Economy Range for small parts storage. Made from highest grade, anti-static polypropylene, the containers come in brown, blue, orange and green.

PRINTING

PORTABLE AND completely hand-operated is the "3M" Model 7401 lettering system for producing fast and economic finished lettering in a range of type faces and sizes.

Consisting of a base unit, 17 x 15 inch, lettering discs are fitted, and the operator simply dials the required letter or symbol, depressing a print button to obtain an impression on self-adhesive tape.

There are 50 feet of half inch wide tape on the cartridge, and the user can choose various kinds of tape including translucent heat resistant, photo quality black, reversed white on black, and so on.

SECURITY

ORIGINALLY developed for military installations, an infra-red detection system is now available as a burglar alarm for homes and offices.

This not only tells when a thief has been about, but actually frightens him off, emitting an ear-splitting screech should an intruder enter the passive infra-red protected area.

It is mains operated but, as the system merely detects significant changes in infra-red, it virtually uses no power, says Noise and Security Appliances, Byron House, Wallingford Road, Uxbridge (Uxbridge 59575).

Louise Kehoe saw the world's most powerful microprocessor launched last week

Intel's mighty micro sets the standard

THE DAY is fast approaching when the full power of a very large computer can be concentrated on a single silicon chip.

And when it arrives, the advantage in information technology will well and truly have shifted from the computer manufacturers to the semiconductor houses.

One of the largest, Intel in the U.S., put a warning shot across the bows of minicomputer and mainframe computer makers last week when it announced a microprocessor with the computing capabilities of a medium-sized mainframe computer.

Powerful

The Intel 432 is a 32-bit device—it handles data in groups of 32 binary digits, 0s or 1s, and it is the most powerful yet seen. It could replace much larger computers

Made up of just three very large scale integrated circuits (VLSICS), the 432 offers the smaller size and lower cost of a microprocessor, along with many of the advanced computing features of a mainframe.

The "micromainframe," as Intel calls it, is aimed at applications that are mainframe in scale, but require the size, cost and dependability inherent in microprocessor technology, the company says.

The "micromainframe" will be particularly well suited to applications which require a lot of programming in the development stage. Intel has designed into the 432 the capability of minimising software. This will certainly be welcome news to systems companies for whom the rising costs of programming have become a major headache.

The 432 approaches the prob*lem on two fronts. First, it uses* a new, highly efficient programming language, called Ada. Ada is a derivative of Pascal which has been developed on behalf of the U.S. Department of Defence to be the "universal" real time programming language. Ada makes use of "software components" which are transportable from one computer system to another.

Second, software savings are built into the 432 chips. The 432 hardware recognises and operates directly on "objects:" these are whole sections of data, such as lists of names. The computer treats these objects as if they were single numbers, without being told what to do by massive blocks of programming.

Together, the use of modular programming techniques and the "object" oriented architecture of the 432 can result in a two to six times saving in software costs, Intel estimates from its own internal programming efforts.

The 432 will typically be used in systems which have many functions—the example given by marketing manager, Mr. David Best, is a banking terminal. "These used to be little more than a debit/credit system, but today they are expected to handle data security, on-line funds transfer, accounting, credit authorisation, plus many other functions, simultaneously," he explains.

Initially, Mr. Best expects large, sophisticated original equipment manufacturers (OEMS) to begin developing 432 based products. But he predicts that a significant number of 432s will be used in new markets and applications, as yet undefined. "I believe that the micromainframe's capabilities, size and price will start lots of creative juices churning, and applications that were previously unrealistic will now be economically attractive," he suggests.

Another aspect of the 432 architecture that will appeal to the systems designers is its expansion capabilities. Unlike any other microprocessor, the computer power of the 432 can be extended simply by doubling up the three chip set. No extra software is needed. Multiple processor coordination facilities are built into the hardware. What this means to the designer, is that the processor performance can easily be changed half way through the design cycle.

By joining together two 432 systems in a special configuration, they can be made to check up on each other. If the two do not agree on a computation result, they immediately stop and alert the rest of the system that they can no longer guarantee correct operation. The failure is thus confined to a specific part of the system, and the rest of the system can continue to run as normal.

Another mainframe-type feature of the 432 is the huge memory that it can incorporate. The 32-bit microprocessor can support a memory of 4bn bytes (32bn 0s or 1s). What's more, it governs a virtual memory address space of a trillion bytes. (Virtual memory is a technique used in mainframe computers effectively to increase the memory capacity.)

But while to the outside world the 432 seems to behave like a big computer, the system is in fact made up of only three integrated circuits. According to Intel, the three chips together contain almost a quarter of a million electronic devices. That is over six times the number of devices in Intel's 16-bit processor, the 8086. The first 432 chips have been conservatively large which makes them easier to produce. But later they will be shrunk to finer geometries, to produce *smaller, faster chips.* Two of the chips work together to form the general processing unit at the centre of the system, and the third chip connects the 432 to its sub-systems.

Configurations

Like other advanced microcomputer systems, the 432 can be built in a wide variety of configurations. These would include several other processors and peripherals. In the case of the 432, these are called attached processors. They are independent microcomputer subsystems which handle functions such as mass storage, communications or process control. By removing these functions from the central processor, and sharing them with other parts of the system, the power of the computer is increased. The complexity of the 432 system is such that it will take potential customers as long as two years to design it into their products, according to Intel's estimates. The company does not expect volume orders until the mid-1980s.

The first version of the 432 will be made available in March and will consist of a development board which customers can use in conjunction with the Intel Intellec development system so they can become familiar with the 432 and to write programs for it. The 432/100 including hardware, software and documentation will sell for U.S.$3,900 and will be delivered 90 days after ordering.

Switches which get the message across automatically

MESSAGE SWITCHING is, perhaps, the Cinderella of the information technology scene. It has been implemented in increasingly sophisticated form, since 1962, yet its virtues have been submerged in the swell of enthusiasm for the new-fangled "electronic mail." Manufacturers of message switching equipment argue that they have been selling electronic mail systems for years.

There is no shortage of them. At the last count, message switching systems were being provided by at least 39 different companies, including Aims, Arbat, Logica, Scicon and Telephone Rentals.

At the top end of the market, Computer and Systems Engineering (Case) of Rickmansworth jostles for pole position with ITT, while at the bottom end, the newest entrant is Chernikeeff Telecommunications, a company diversifying out of electromagnetic marine logs into newer areas of electronics.

Telex and telegraph systems make it possible to send hard copy messages over long distances; message switching systems make it possible to send messages virtually automatically

Tapes litter the floor of the Bankers Trust telex room (left) before modern screen-based message switches (right) were installed

The market in the UK is probably £14m, but the importance of the sector lies in the fact that it is one of the keys to the office of the future—and the huge numbers of telex customers who could make use of a switch.

Basically it is simply a computer which stores messages sent from and redirects them to a distant terminal *when it is free* (store and forward). Lloyd's in Colchester, for example, has just replaced 19 Telex machines with a Case MSX-T switch with a significant increase in information traffic.

Case systems—and those of its closest rival ITT—are for the big customer with eight or more telex or telegraph lines and with £25,000 or more to spend.

Where Chernikeeff (named after the White Russian sailor who started the company) hopes to score, is with the 65,000 (95 per cent of the installed base) telex users with only one or two lines. Its switch, the Autex 1600, is claimed to be the only single line autodialler on the market which can be upgraded to a multi-line system. In a single small cabinet, it compresses most of the smart features found on the larger switches for a price of around £7,000 for a single line to £14,600 for 16 lines.

The Autex 1600 is fitted with a paper tape reader to allow the introduction of the fully computerised system gradually. Normally, messages would be put into the system through a conventional keyboard and screen.

The memory holds a directory of commonly used telex numbers and it works virtually unattended, sending out and receiving messages. The importance of this is underlined by Mr. Alan Bardett, City manager of Case: "Average time for setting up a call is about 20 seconds, but in practice it is not unknown for an operator to spend a whole afternoon trying to establish connections with a remote station — Buenos Aires, for example."

The market, both at the top and bottom end, is growing at around 30 per cent a year. The top end of the pyramid of telex users who could benefit from a switch is probably more than 2000. The bottom end — those with one or two lines — could make Chernikeeff's switch from the sea a profitable plunge.

Chernikeeff is on 01-994 6685; Case on Rickmansworth 76699; ITT Business Systems on 0273 507111.

ALAN CANE

'Last warning' to the Japanese

BY GILES MERRITT IN BRUSSELS

THERE was no little hilarity in the Berlaymont's Press bar the other day when a European Commission official ruefully confessed that all EEC "warnings" to the Japanese looked alike to him. Sorting through his desk, he said, he had just come upon a document that he immediately recognised as last week's Foreign Ministers' Council declaration on Japanese exports. To his horror he suddenly realised that the familiar wording bore a 1976 date and had been drafted by the late Finn Olav Gundelach, at that time acting as EEC External Relations Commissioner.

Coincidentally, I had myself asked Mr. Cecil Parkinson, Britain's Trade Minister, a question during the February 17 Foreign Council meeting in Brussels that struck exactly the same chord. Had there been any discussion around the table to suggest that the Community's latest "last warning" to Japan on trade marked an advance on the previous 20 last warnings? He sidestepped the question.

Diplomacy

The figure of 20 had, I confess, been drawn from the air. Looking back through the files for the past ten years I find that had I lighted on 200 I should have been closer to the mark. Each and every one of them apparently a tribute to the skills of Japanese diplomacy.

The saga of "grave concern" that has consistently failed to yield from Japan the "urgent action" sought dates back to the beginning of the 1970s, when Italy's Sig. Malfatti was EEC Commission President and had realised that Japan's 1967 move into surplus on its EEC trade was no passing phenomenon. His Commission handled the 1970-71 Japan-EEC trade pact negotiations that foundered on Tokyo's refusal to accept a safeguard clause that would have automatically clamped down certain Japanese exports.

By March, 1973, France's François-Xavier Ortoli had taken over as President of the Commission and gone on record saying: "The tide of Japanese exports is the problem of international trade." In the absence of a bi-lateral trade agreement, Japan and the EEC in June of that year set up the system of regular high-level consultations that has since proved a useful channel for issuing warnings. And gravely noting them.

This is not to say that the Japanese have been deliberately making fools of the Europeans, but rather to wonder if the Europeans have been crying wolf for so long that Tokyo no longer knows if it is being sent serious political signals or just pro-forma protests that are largely intended for domestic consumption by EEC industries. After all, even though Japan's trade surplus with the EEC has shot from \$300m in 1970 to \$12bn in 1980, its share of all EEC imports has only moved from around 3 per cent to 4.5 per cent. Tokyo is also well aware that Brussels is well aware of a single key figure that puts it all into perspective—Japan derives only 9-10 per cent of its GNP from exports, while for the EEC and the U.S. that proportion is about 25 per cent.

Warning the Japanese that this time the Community really means business is now a continuous process—last week's Council warning, accompanied by the adoption of a monitoring system that will actually count the car, TV and machine tool imports faster and more accurately than ever before, was echoed within a few hours by a delegation of Euro-MPs visiting Tokyo.

It is also an integral part of European Councils. Since their November, 1976, meeting in The Hague, EEC heads of government have themselves taken to warning Japan and their statements on the matter now look like well-travelled luggage, bearing as they do the stamps of Rome '77, Copenhagen '78, Paris and Strasbourg '79, and Venice and Luxembourg '80.

The next serious warning is due to be handed to Japanese Premier Suzuki in person when he attends the Western economic summit in Ottawa this July. On behalf of the Community as a whole the heads of government of West Germany, the UK, France and Italy will issue their warning, as no doubt will the U.S. and Canada.

The snag with all these warnings is that they carry no "or else." The industrialised nations feeling the pinch from Japanese exports still do not dare to utter the threat of protectionism, which leaves Japan wondering after each empty warning "so what?" Meanwhile, despite all Japan's talk of prudence and self-restraint, its car exports to the EEC last month were 41 per cent up on January 1980.

Rapprochement with gloxinias

GARDENS TODAY

BY ROBIN LANE FOX

ANYONE WITH room for another indoor plant is my desired audience this week.

The room does not have to be very warm, nor does it need direct sunlight. My own plants have been happy enough in a room whose temperature drops in inverse proportion to the cost of heating. At night, they are near to freezing, but the winter is their closed season, so they have not suffered.

These easy performers are the well-known gloxinias. I look back on 1980 as the year in which the gloxinia and I agreed to get on. I had tried them in different ways over several past seasons and never had any luck. But last year, they flowered superbly and have not looked back since. Perhaps you think them easy plants, so I will begin by explaining my hesitation.

Like you, no doubt, I first came across the gloxinia in florists shops. It is a pot plant with those wonderful flowers in the shape of a trumpet, usually marked with clear segments of red or violet against a white ground. The large leaves are hairy and a fresh shade of green. They are usually sold in four-inch pots, one by one.

In exhibitors' greenhouses, a long run of gloxinia is unforgettable, a mass of the richest and most tropical flowers in the book. To see one is to want it, so I turned first to the seed-lists, whose colour pictures fired my interest, then to the reference-books which dampened it down.

Back in the 1950s, gloxinias were classed by compilers with the venerable group of stove-plants. I remember my disappointment.

The gloxinia, they said, needs a temperature above 65 deg. F if it is to start into growth and it will thrive if placed in a suitable stove, as illustrated in a separate volume. The separate volume was usually missing, and although I eyed my parents' kitchen Aga and wondered which oven would best hold earth, gloxinias, I concluded, were not for the young with no house of their own.

When I returned to thoughts of gloxinias, I approached them through packets of seed. Though cheaper, they were very obstinate, and I never raised a single seedling from any of them. The seed was very fine and it seemed to need the heat of a micro-wave oven before it would germinate.

If you want to try them in an even heat of 70 deg. F, now is a good time for the experiment. Keep them shaded and cover them very thinly with soil. Others succeed with them, so do not be put off by my failure in a house which was slightly too cold.

There, for years, the matter rested. The gloxinia eyed me provocatively and although I admired its brilliant colours, I used to remember the handbook's warnings, their sections on Black Foot Rot and the pot-bound gloxinia, the hints on watering only from below and the insistence that the plants should be syringed day and night with tepid sprays. On no account should gardeners touch a gloxinia's leaves. These lovely plants were far too brittle.

Perhaps you know those Victorian books on child-care which range from the brutally hearty to the most elaborate methods of protection. I look back, now, on these recipes for good gloxinias with the hardened eye of a parent who has made the bathing-machine redundant and learnt to disregard the children's carriage with blanket attachments for the sea-front.

If you pay a little more, you can buy gloxinia tubers during the next month or so and start them off in any spare corner nearer your heating pipes. After that they will flower abundantly in their first year. They are even easier than begonias and they do not deteriorate.

Mix up a soil of peat or leaf-mould, sand and light garden loam and fill up a five-inch pot with it. Place each tuber so that the soil just covers its upper surface and press it in firmly.

You only have to water very gently until a green shoot appears on the top of the tuber. Then, you bring the plant out into the open and avoid the direct sunlight which its hairy leaves resent. Water more freely as it develops, for like most plants with fleshy leaves the gloxinia does not like to be too dry.

By August you will have your first flowers, perhaps five in a cluster above the leaves if your tubers have been well bought. Feed them with the invaluable phostrogen as soon as the buds appear. Afterwards, you reduce the water and expect the leaves to die down.

Mine are so happy that they are still showing above ground depite almost no water and a low temperature. They are celebrating our rapprochement by refusing to be dormant.

Once they have started to grow you need no special heat, no stove, no syringe. If anything, they are at risk to scorching and drought. Of course they are plants for indoors only, but as they grow when the house is warm anyway, they are fit for any amateur's collection.

About their beauty, I have no reservations. They are as opulent as any orchid and infinitely easier. They flower every year and will last for ages. I prefer the reds to the purples, especially the pure scarlet of Queen Wilhelmina and the brilliant red Etoile de Feu.

The best known varieties are the two Emperors, Frederick and William, one of which is red-edged with white, the other violet edged with white. I like the violet and white rather less, though the florists stock it more often. Their origins and breeding are a fine story, one of the rare cases when breeders have improved every point in a wild plant.

Between 1840 and 1880, French nurserymen picked up a cross between two strains of wild gloxinia, one with small purple flowers, the other with larger, drooping flowers. Cross after cross entered the race until a thick-leaved variety was introduced, parent of the brilliant varieties to which I have directed you. Its neighbours in the wild would no longer recognise the old gloxinia since 19th-century Europe brought it in from the cold.

There are no difficulties, though you should try to water the pots from below so that the leaves do not rot. To multiply them, you use the pleasurable method of leaf cuttings, avoiding the problems of seed. A mature leaf is shortened and put into sandy soil with a small part of its stem still attached.

It will root under a bell glass, or upturned tooth-glass, and will wither away to leave a small tuber which you can grow on during the next season. These children will flower in their second year.

No stoves, no sprays, no bottom heat; the gloxinia is so much more velvety than the begonia and the easiest plant for gardeners caught in London flats.

Gloxinia

Heavy ground specialists needed

RACING

BY DOMINIC WIGAN

SNOW and water-logging has badly affected recent fixture lists but there seems a reasonable chance that today's Warwick card will go ahead. However, the prospect of exceptionally testing ground on the Midlands track has resulted in a mass of withdrawals and the programme is far from inspiring.

Those in search of mudlarks with almost limitless stamina will do well to consider Dawn Fox among the runners for the Knightlow Handicap Chase and Set Point who goes for the Warwickshire Fox Hunters Chase.

Dawn Fox, who has proved a model of consistency since coming down on his fourth appearance of the 1979-80 campaign, was positively revelling in the mud when disposing of Whistle For Gold at Towcester on January 21. Sent into the lead from the start there, in the two miles and five furlong Beer Park Handicap Dawn Fox never really looked like being caught by the odds-on runner-up and passed the post with 2½ lengths in hand.

Tony Webber's mount, who had previously chased home Henry Kissinger when apparently in need of the race on this course earlier in the month, should not be hard pressed to complete the double now that Owenius and Fury Boy have been withdrawn.

Set Point, a lightly made gelding by Emerson, could well be returning to his smart form of the 1977-78 campaign judging by his encouraging run at Plumpton three weeks ago. There the 13-year-old almost succeeded in pegging back The Trout in a three mile and one furlong hunters chase after seeming in a hopeless position only two fences from home.

With an additional half-mile to cover this afternoon this heavy ground specialist, who ran third to Ormond Tudor in testing conditions at Worcester last season, should oblige. However, he will not have matters all his own way with Mount Olive and Spartella.

A third possible winner from the ranks of those to have shown their best in the mud is Mr. Juicy, among the runners for the Banbury Handicap Hurdle. Mr. Juicy, a winner twice at Wincanton before scoring at Wolverhampton on dead ground last season, looks capable of taking advantage of the 16 lbs he receives from Jakaroo.

WARWICK

2.00—The Britisher
2.30—Dawn Fox**
3.00—Sunburst
3.30—Bee Sting
4.00—Set Point*
4.30—Mr. Juicy***

TV/Radio

† Indicates programme in black and white

BBC 1

6.40-7.55 am Open University (Ultra high frequency only). 9.05 For Schools, Colleges. 11.25 You and Me. 11.40 For Schools, Colleges. 12.42 pm Regional News for England (except London). 12.45 News. 1.00 Pebble Mill at One. 1.45 Trumpton. 2.01 For Schools, Colleges. 3.00 Speak for Yourself. 3.25 Delia Smith's Cookery Course. 3.53 Regional News for England (except London). 3.55 Play School (as BBC 2 11.00 am). 4.20 Touché Turtle. 4.25 Jackanory. 4.40 Take Hart. 5.00 John Craven's Newsround. 5.10 Break in the Sun. 5.35 The Perishers.

5.40 News.
5.55 Nationwide (London and South-East only).
6.20 Nationwide: The British Rock and Pop Awards 1980.
7.05 Triangle.
7.30 The Wednesday Film: "Doctor In The House," starring Dirk Bogarde, Muriel Pavlow, Kenneth More and Donald Sinden.
9.00 News.
9.25 Sportsnight.
10.15 Open Secret.
10.45 Parkinson.
11.45-11.50 News Headlines.

All Regions as BBC 1 except as follows:—

Cymru/Wales—10.30-10.50 am I Ysgolion: Daearyddiaeth. 11.02-11.22 I Ysgolion: Ffenestri. 1.45-2.01 pm Mister Men. 2.18-2.38 I Ysgolion: Hyn O Fyd. 5.10-5.35 Grange Hill. 5.55-6.20 Wales Today. 7.05 Heddiw. 7.35 Antur I'r Andes. 8.05 Triangle. 8.30-9.00 Cousins, Family and Friends. 11.45 News Headlines. News and Weather for Wales.

Scotland—12.40-12.45 pm The Scottish News. 5.55-6.20 Reporting Scotland. 9.25-10.15 Sportscene. 11.45 News Headlines, News and Weather for Scotland.

Northern Ireland—3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 11.45 News Headlines, News and Weather for Northern Ireland.

England—5.55-6.20 Look East (Norwich); Look North (Leeds); Look North (Newcastle); Look North-West (Manchester); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South-West (Plymouth).

BBC 2

6.40-7.55 am Open University.
10.20 Gharbar.
11.00 Play School.
4.50 pm Open University.
†5.40 Love's Intrigue (Mack Sennett).
6.00 16 Up.
6.25 The Master Game.
6.55 Open Door.
7.25 Mid-evening News.
7.35 Travellers in Time.
8.05 Muggeridge: Ancient and Modern.
9.00 M*A*S*H.
9.25 Sons and Lovers.
10.20 God and the Scientist.
10.45 Newsnight.

BBC 2 Scotland only—1.25-4.40 pm World Cup Sportscene Football: Israel v Scotland from Tel Aviv; and at 3.15 pm World Bowls.

LONDON

9.30 am Schools Programmes. 12.00 Cloppa Castle. 12.10 pm Rainbow. 12.30 About Britain. 1.00 News, plus FT Index. 1.20 Thames News. 1.30 Crown Court. 2.00 After Noon Plus. 2.45 Fantasy Island. 3.45 Movie Memories. 4.15 Dr. Snuggles. 4.20 Runaround. 4.45 Brendon Chase. 5.15 Mr. and Mrs.

5.45 News.
6.00 Thames News.
6.25 Help!
6.35 Crossroads.
7.00 This Is Your Life.
7.30 Coronation Street.
8.00 Lingalongamax.
8.30 "I Heard It Through The Grapevine" (James Baldwin).
10.00 News.
10.30 "High Midnight," starring Mike Connors.
12.15 am Close: "Sit Up and Listen" with Tony Lothian.

All IBA Regions as London except at the following times:—

ANGLIA

9.15 am Jobline: guide to job availability in East Anglia. 1.20 pm Anglia News. 3.45 The Entertainers. 6.00 About Anglia. 12.15 am The Big Question: The team discuss whether God wants Martyrs?

ATV

1.20 pm ATV News. 2.45 Star Parade. 5.15 Survival. 6.00 ATV News. 6.05 Crossroads. 6.30 ATV Today.

BORDER

1.20 pm Border News. 2.45 The Love Boat. 5.15 University Challenge. 6.00 Lookaround Wednesday. 11.30 Border News Summary.

CHANNEL

1.20 pm Channel Lunchtime News, What's On Where, and Weather. 2.45 Star Parade (John Denver). 5.15 University Challenge. 6.00 Channel Report. 10.28 Channel Late News. 12.15 am Epilogue.

GRAMPIAN

9.25 am First Thing. 1.20 pm North News. 5.15 Batman. 6.00 North Tonight. 10.30 The Best Laid Scheme . . . What Went Wrong With Whitfield? 11.30 Dolly. 12.00 The Red Dress. 12.30 am North Headlines.

GRANADA

1.20 pm Granada Reports. 2.00 Live From Two. 2.50 Family. 5.15 Welcome Back, Kotter. 6.00 Granada Reports. 6.25 This Is Your Right.

HTV

1.20 pm HTV News. 2.00 Houseparty. 2.25 "Joe Dakota," starring Jock Mahoney. 5.15 Dick Tracy. 5.20 Crossroads. 6.00 Report West. 6.30 Survival.
HTV Cymru/Wales—As HTV West except: 12.00-12.10 pm Fflatbalam. 4.15-4.20 Puppy Possum. 4.45-5.15 Straeon Y Byd. 6.00 Y Dydd. 6.15-6.30 Report Wales.

SCOTTISH

1.20 pm News Headlines and Road and Weather Report. 2.45 Certain Women. 5.15 Pet Subject. 5.20 Crossroads. 6.00 Scotland Today. 6.20 Toye's Talk Back: John Toye. 6.30 Report: Dermot McQuarrie reporting on the ski-slopes of Aviemore. 10.30 Encore for the Arts: Douglas Rae. 11.15 Late Call. 11.20 Late Night Movie: "Death Squad," starring Melvyn Douglas.

SOUTHERN

1.20 pm Southern News. 2.00 Houseparty. 2.25 Fantasy Island. 3.20 Survival. 5.15 Betty Boop. 5.20 Crossroads. 6.00 Day By Day. 6.35 Scene Midweek (South East Area only).

TYNE TEES

9.20 am The Good Word. 9.25 North-East News. 1.20 pm North-East News. 1.25 Where the Jobs Are. 2.45 Danger UXB. 6.00 North-East News. 6.02 Crossroads. 6.25 Northern Life. 10.30 North-East News. 10.32 "Twilight People," starring John Ashley. 12.00 Wholeness.

ULSTER

1.20 pm Lunchtime. 4.13 Ulster News. 5.15 Cartoon Time. 5.20 Crossroads. 6.00 Good Evening Ulster. 10.29 Ulster Weather. 10.30 Quincy. 11.30 Bedtime.

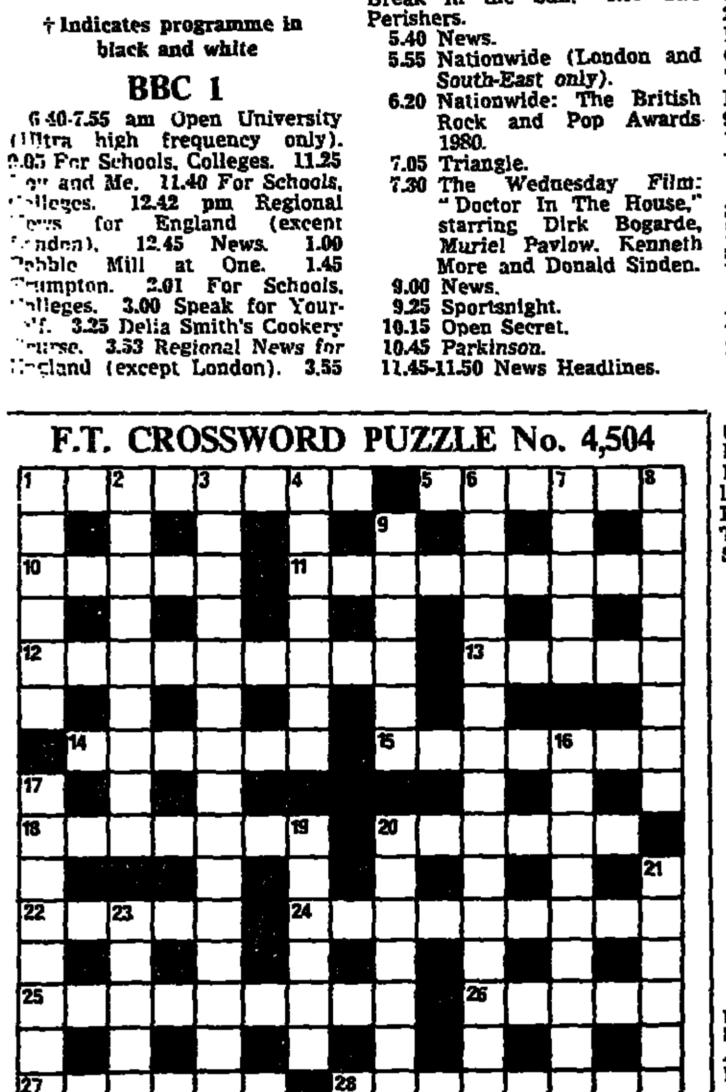
WESTWARD

12.27 pm Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 2.45 Star Parade (John Denver). 5.15 University Challenge. 6.00 Westward Diary. 10.31 Westward Late News. 12.15 am Faith For Life. 12.20 West Country Weather and Shipping Forecast.

YORKSHIRE

1.20 pm Calendar News. 2.45 Duet. 5.15 Diff'rent Strokes. 6.00 Calendar (Emley Moor and Belmont editions).

F.T. CROSSWORD PUZZLE No. 4,504



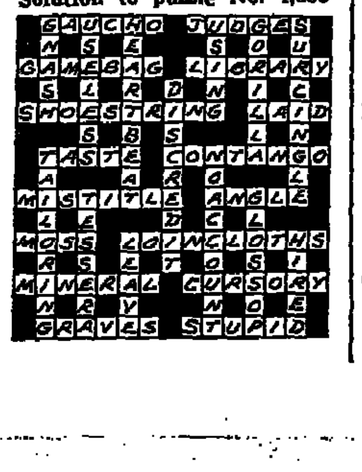
ACROSS

1 Programme of runners bearing one of the pack (4-4)
5 One who has let the French observe (6)
10 Seat to carry in triumph (5)
11 Sign one's name and contribute money (9)
12 Metallic, but turning into a plus (9)
13 Guess it could be a boring thing we hear (5)
14 Involved relations in seaweed (6)
15 Doctor anything in a drink (7)
18 The very devil of a match? (7)
20 Expertise with your head, needed to make thin gruel (6)
22 Axial description of the earth's extremities (5)
24 Armour required to protect one against unsolicited letters? (5-4)
25 Making an earnest request that's attractive (9)
26 A girl out of order (5)
27 Eagerly desirous for edition in black-and-white (6)
28 Tie top of bottle to stand the test of time (8)

DOWN

1 Prescription for rice mixed with Physical Exercises (6)
2 Clean a bench in a coach (9)
3 Vehicle for part of hospital is paid for in advance (8, 7)
4 Make good and settle on precious metal (7)
6 Outcry over foreign currency—thus! (11, 4)
7 Drink to throw away (5)
8 Curse river covering decrepit car (8)
9 Notice outside headquarters is taken down (6)
16 Coat with metal to stimulate into action (9)
17 Blow to strike violently all at once (4-4)
19 Engineers with twine stagger back (6)
20 Odds on fish in sparkling spot (7)
21 Nearer to finish before start of race (6)
23 Failure in attention to pass by degrees (5)

Solution to puzzle No. 4,503



Radio Wavelengths

1	1053kHz/285m 1089kHz/275m	3	1215kHz/247m & 90-92.5vhf stereo
2	693kHz/433m 909kHz/330m & 88-91vhf stereo	4	200kHz/1500m & 92.95vhf

BBC Radio London: 1458kHz, 206m & 94.9vhf
Capital Radio: 1548kHz, 194m & 95.8vhf
London Broadcasting: 1151kHz, 261m & 97.3vhf

RADIO 1

(S) Stereophonic broadcast
‡ Medium Wave

5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.00 Andy Peebles. 12.30 pm Newsbeat. 12.45 Paul Burnett. 2.30 Dave Lee Travis. 4.30 Peter Powell. 6.20 The British Rock and Pop Awards 1980. 7.05 Radio 1 Mailbag. 8.00 Richard Skinner. 10.00-12.00 John Peel (S).

RADIO 2

5.00 am Bob Kilbey (S). 7.30 Terry Wogan (S). 10.00 Jimmy Young (S). 12.00 David Hamilton (S). 2.00 Ed Stewart's Request Show (S). 4.00 Much More Music with David Symonds (S). 6.00 Steve Jones (S). 8.00 Listen to the Band (S). 8.30 Alan Dell with Dance Band Days (S). 9.00 The Songwriters (S). 9.55 Sports Desk. 10.00 Tony's starring Victor Spinetti. 10.30 Ian Botham says Be My Guest. 11.00 Brian Matthew with Round Midnight, including 12.00 News. 2.00-5.00 am You and the Night and the Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Your Midweek Choice (S). 8.00 News. 8.05 Your Midweek Choice (continued). 9.00 News. 9.05 This Week's Composer: Barber (S). 10.00 Polish Music (S). 11.05 Music for Organ (S). 11.35 Three Choirs Festival 1980 (S). 1.00 pm News. 1.05 Concert Hall (S). 2.00 Music Weekly (S). 2.50 Beethoven and Borodin (S). 3.45 Elizabeth Maconchy song recital (S). 4.00 Wordsworth: The Prelude (abridged reading). 4.25 Mozart and the Violin recital. 4.55 News. 5.00 Mainly For Pleasure (S). 7.00 Liszt piano recital (S). 7.30 Scientifically Speaking. 8.00 BBC Symphony Orchestra (S). 9.25 Six Continents. 9.45 Debussy's Cello Sonata (S). 10.00 My Life's The Least Of It (portrait of the writer William Gerhardie). 11.00 News. 11.05-11.15 Piano nocturne (S).

VHF only—Open University: 5.55-6.55 am and 11.15 pm-12.35 am.

RADIO 4

6.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping Forecast. 6.30 Today, including 6.45 Prayer for the Day; 7.00, 8.00 Today's News; 7.30, 8.30 News Headlines; 7.45 Thought for the Day. 8.35 Yesterday in Parliament. 9.00 News. 9.05 Midweek: Morgan Talk. 10.00 News. 10.02 Gardeners' Question Time. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Baker's Dozen. 12.00 News. 12.02 pm You and Yours. 12.27 Frank Muir Goes Into . . . Greed (S). 12.55 Weather; programme news. 1.00 The World at One. 1.35 Party Political Broadcast on behalf of the Liberal Party. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Afternoon Theatre. 3.50 Zoo Talk. 4.00 Choral Evensong (S). 4.45 Story Time. 5.00 PM: News magazine. 5.50 Shipping Forecast. 5.55 Weather; programme news. 6.00 News. 6.30 My Music (S). 7.00 News. 7.05 The Archers. 7.20 Checkpoint. 7.45 "The Weather." 8.45 File on 4. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 There Were Giants in Those Days. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 9.03 Morning Star. 10.03 The Robbie Vincent Telephone Programme. 12.30 pm London News Desk. 12.40 The Tony Fish Total Music Show. 2.30 Tony Blackburn. 5.00 News. 5.15 Music on the Move. 6.33 The Name of the Game. 7.03 Black Londoners. 8.00 As Radio 1. 10.00 Question Time from the House of Commons. 11.00-5.00 am Join Radio 2.

London Broadcasting

6.00 am AM — Bob Holness and Douglas Cameron. 10.00 Brian Hayes. 12.00 LBC Reports. 7.00 pm London Life—Keith Howell (includes feature on Jazz). 9.00 Mike Dickin's Nightline. 12.00 LBC Reports Midnight. 1.00 am Night Extra. 4.00 Network. 5.00 Morning Music.

Capital Radio

6.30 am Mike Smith's Breakfast Show. 10.00 Michael Aspel. 12.30 pm Graham Dene. 1.00 First Report. 1.10 Graham Dene (continued). 3.00 Roger Scott. 7.00 London Tonight. 8.00 Nicky Horne. 11.00 Tony Myatt's Late Show. 2.00 am Night Flight.

THE ARTS

Television

Cheers by the dozen

by CHRIS DUNKLEY

Nine cheers! Three for the BBC for keeping its head under fire from the doctors who disliked *Panorama's* programme on brain death and transplants. Three for *Panorama* itself and its editor Roger Bolton for making that original programme and this week for bringing to the screen Tom Mangold's report on Britain's security services, despite external and internal difficulties. And three for Christopher Capron and his 90-minute follow-up debate on brain death and transplant donors on Thursday.

Capron's was the long awaited programme demanded by those members of the medical profession who disliked last October's *Panorama* programme which asked "Transplants: Are The Donors Really Dead?" and left doubt in some viewers' minds. In any reasonable person's mind last week's scrupulously "balanced" debate chaired by Ludovic Kennedy must have left a bigger doubt still.

The October programme was followed by an almighty uproar from certain medics who accused *Panorama* of all manner of sins. They claimed that the supply of kidneys for transplantation dried up almost entirely: "It is like the Wall Street crash" said one consultant with interesting inappropriateness.

Amid all the recrimination the demand was for a further programme, allowing those who are totally satisfied with the British code for testing "brain death" to control and present their own material. This they did in last week's special, *A Question Of Life Or Death*. What they probably had not bargained for was that the BBC, in retaining and being seen to retain its own editorial function (hence the three cheers) would offer the same facilities to their opponents who doubt the reliability of the present code and demand further safeguards.

And what the complainants cannot have foreseen, or they would never have taken part, was that their opponents would marshall their facts better, make a better film of their case, put up a four-man team for the studio debate that was more impressive for being drawn not just from Britain but from Scandinavia and North America, and argue their case more persuasively with—the real clincher for those of us watching who are not medically trained—much less arrogance.

What it came down to in the end was that those demanding more safeguards seemed to be on the side of the fearful and doubting patient whereas the message one inferred from the other side was: "Don't worry your little minds with these things which are fearfully complicated. We've had them all taped for donkey's years. Just relax and leave everything in our hands. Especially your kidneys."

Watching at home there seemed to be some feeling on their side of the studio that the electroencephalograph merchants were a bunch of Johnnie-Come-Lately techno-freaks whose box of tricks shows nothing that the surgeons don't know already. There was certainly the specific suggestion that the angiogram used in some countries to test for blood circulation in the brain can itself be a killer—an assertion which outraged the Norwegian doctor who, however, was not given time to respond.

What the opponents of added safeguards (however cosmetic, however much of a duplication they may be) had to answer were the questions: *why* do you oppose repeating the tests after a decent interval, and *why* do you oppose additional safeguards used elsewhere in the world if you don't have ulterior motives? They failed.

Tom Mangold's *Panorama* on Monday investigating the non-accountability of MI5 and MI6 was a proficient enough programme which, in 50 minutes, covered a remarkable amount of ground: Greville Wynne, Penkovsky, George Blake, Philby, Blunt, the Littlejohn business, GCHQ and so on.

But after the endless stories of BBC "censorship" of this programme, and then Bolton's statement that very little of significance has actually been cut out, one came away with some incredulity wondering what on earth all the fuss had been about. True the programme showed three former secret service "agents" (two part time) speaking to camera for the first time, but it was no great revelation to hear that "95 per cent of MI5 work consists of detailed research in the records" or that phones were tapped, agents infiltrated on to newspapers, and businessmen used as couriers.

Nobody who has read Duncan Campbell regularly in Time Out, the New Statesman and the Sunday Times in the past few years will have been much surprised at anything in this report, though perhaps Part 2 next Monday will be more revealing.

Like the brain death controversy, this was one of those occasions when the row over the programme was as interesting as the programme itself. Why is it that television attracts this sort of furious anger from people such as the transplant doctors (previous similarly enraged groups have included teachers, Irishmen and shipbuilders, all of whom have complained bitterly of misrepresentation) while reactions to the Press are so much more subdued?

No doubt one reason is the sheer scarcity of television. With all British television still controlled by the "duopoly" an offended party cannot resort to one of numerous other outlets, as he can with print, to find alternative publicity. Furthermore, the BBC's success in wartime in presenting news honestly to a single-minded nation encouraged the development of the belief — ludicrous in my view — that any subject, any argument, can and should be presented as neutral and "balanced" in a way that will satisfy the whole public, even in today's pluralistic and far from single-minded nation. It is impossible, of course, but the failure to fulfil such expectations causes anger.

Surely the most important reason, however, is one of which television can be proud: it is now the only mass medium which regularly tries to deal with thorny problems such as brain stem death tests or the accountability of the secret service in such a way that millions of people who have never heard of The Lancet or the New Statesman will understand.

Once our popular Press tried, but rarely any more. Hence the cheers for *Panorama*, Bolton and Capron — they have rallied to the banner of the Fourth Estate to carry on the valuable tradition of scrutinising those who would acquire power via mystification, whether they be priests, politicians, doctors or spies.

Which is not, however, to say that they are necessarily doing it in the best possible manner. On television the adversative form of discussion modelled on the Westminster Parliament with the pros on one side, the antis on the other, and the chairman in the middle, lacks the great virtues of that Parliament: where Parliamentary debates are aimed specifically at reaching a definite conclusion by way of a vote, television's aim is precisely the opposite—to remain on the fence and avoid any conclusion.

Worse, television's tight schedules ensure that the chairman intrudes with that ominous phrase "I'm afraid we must move on now" whenever the discussion nears the nub. It happened with the doctors and also in *A Long Term Solution?* on the previous night, a Scottish TV discussion set up in precisely the same format with Desmond Wilcox as chairman, also prompted by a previous programme, this time *A Sense Of Freedom*.

Here again, however, it was television which was at least offering discussion of the big moral conundrum (this time treatment of long term prisoners) to millions of homes where it would probably not otherwise be raised. So make it 12 cheers: three for STV.

What with *Under Sail* at 6.40 and then *Seapower* at 7.40 promptly followed by *When The Boat Comes In*, Tuesday nights on BBC television have seemed terrifically nautical for the last fortnight. The visually lyrical *Under Sail* which ended last night gave unaccustomed pleasure to those of us whose scalps prickle merely at hearing the mundane words "full rigged" never mind such heart stirring phrases as "setting skysails over her royals." But with only six quarter hours, and a large—to be honest somewhat bitty—collection of subjects, the series has still left the way open for *Sail: A Television History* which most surely come one day.

Admiral of the Fleet, Lord Hill-Norton, who is presenting *Seapower* looked, in episode 1, to be a rare TV natural, whether beetling through the bulkheads on a battleship or chatting urbanely about Jutland. But the precise purpose of the series is not clear: *Sailor* was obviously better geared to depicting life in today's Navy, yet the archive material in *Seapower* was too sketchy (though fascinating) to make this instead a proper naval history. The answer seems to be that each episode will be devoted to one type of modern warship—so why start with the battleship which now exists only as a museum piece? The answer, though not a very good one, seems to be that they are big and romantic and Hill-Norton served in one in his youth.

*

Starting five new situation comedies in one week—*Doctors' Daughters* on Sunday, *West End Tales* on Monday, and *Hi De Hi Three's Company* (exported to the U.S. as *Man About The House*, re-jigged for American audiences and now re-imported) and *The Incredible Mr. Tanner* (starring Brian Murphy from *Man About The House* as an inept escapologist, it should surely have been called *The Incredible Roper*) all on Thursday—seems a little like over-egging the pudding.

Moreover first sight suggests that the lone BBC effort, *Hi De Hi!* which is set in a 1950s holiday camp and comes from Jimmy Perry and David Croft who created *Dad's Army* and *It Ain't Half Hot Mum* is the only one containing the seeds of a lasting success. *Doctors' Daughters* looks suspiciously like Britain's first "jiggle" series, a term used in America to indicate shows in which the motion of the girls' breasts is more impressive than their acting. But more on these sitcoms when we have had a bigger sample to judge from.

Roy Kinnear and Brian Murphy in The Incredible Mr. Tanner

St. John's, Smith Square/Radio 3

Semele by MAX LOPPERT

The performance of *Semele* by the Monteverdi Choir and the English Baroque Soloists on Monday was presented by the BBC on behalf of the European Broadcasting Union, and broadcast live to the various member countries. The chance was seized of offering a much fuller portion of Handel's music, complete with repeats, than we are usually allowed (though Athamas' Act 3 aria, printed in the programme, was omitted in performance — it is a dull piece, and its loss was unregretted). One of the many salient points to emerge from the evening was that the work, far from growing tedious when thus given, can absorb the attention from first to last; belief in the increased reward of Handel with the minimum of cuts is not just a critical piety (let us hope that the Royal Opera acknowledges as much when *Semele* joins its repertory, next season).

All the same, from a seat near the back of a hall acoustically unreliable even when well filled, the familiar magic of the work took some while to exert itself. For Handel the Thebans of the first act were of unequal interest; a feeling of distance from the unfolding of the drama was increased by the neat, colourless singing of Athamas (Timothy Penrose) and Ino (Catherine Denley), and because of the listener's initial inability to gain the proper physical purchase on the beautiful but lightly uttered sound of authentic instruments. "Endless pleasure," an air for Semele in which she describes herself in the third person (it is a well-remarked curiosity of the score), was here assigned to a peaky-sounding soprano from the chorus, and so the vista of sensual pleasures to come was left somewhat clouded by the end of Act 1. With the honourable exception of Robert Lloyd's full, dark bass generously undertaking Cadmus' few measures, it all seemed rather timid.

At the start of the second act a new note was sounded, an injection of dramatic urgency supplied, by Della Jones; and suddenly the work was as one knew it ought to be. This June even contrived to strike fire in the Iris of Patrizia Kwella, who lapsed in to her wonted cooing only in "There from mortal care retiring." The central pair were taken by two of Britain's leading Handelians; though, on this occasion one noted a slight clouding in Elddwen Harrhy's limpid soprano (was she suffering a cold?) and perhaps a slight want of depth and weight in Anthony Rolfe Johnson's boyish tenor, the courtship of Semele and Jupiter was one long sequence of delight. Semele as a whole evokes a many-sided response: a smile, a thrill of bliss, and finally a sensation of sadness.

Wyvern, Swindon

Beef by B. A. YOUNG

The Irish have always been the same, they say, and one of their unchanging qualities is the ability to fill their visitors with a desire to be temporary Irishmen. I don't know how long David Pownall was in Ireland, but *Beef* is a completely Irish play set in an abattoir in Dublin, the day after the Pope celebrated mass in Phoenix Park, the day when he is to visit the old Celtic monastery of Clonmacnois.

As the whole of Dublin has been overwhelmed by His Holiness, the abattoir finds itself with no staff to slaughter the two bulls due to be delivered that morning and turned into pet-food by a dubious English company. The arrival of four drunks left over from the previous night is greeted by Con Sheehan the manager as an extra disaster, but his clerk Cusack, who clearly knows more than is good for him, takes them on for the job, and in no time they turn into the 2,000-year-old Queen Maeve of Connaught with her husband Ali and her foster son Fergus, and in the opposite corner King Conchobar of Ulster, now known as Cuckoo and you can see why.

Cusack knows all about this. For 800 years ago he was a monk at Clonmacnois who put the legend together from stories collected from the peasants. In a pretty interlude Mr. Pownall shows him doing it and shows at the same time what an unreliable legend it was that had those rival monarchs tearing Ireland apart over a little matter like who had the best bull. Now, in September, 1979, they reckon that by sacrificing these two bulls together, they can bring peace to Ireland by destroying her in an earthquake and engulfing her in a tidal wave, at the very moment that the Pope lands at the monastery.

Now, a story like this is very hard to conclude. In a 20th century abattoir (Bernard Culshaw's realistic design) we have three 20th century figures Cusack, Sheehan and Janet Soames the English contractor, and four by now fantastic figures from thousands of years ago. Mr. Pownall's ending is a genuine surprise so I mustn't tell you of it; but I'm bound to say it seems to be rather too easy an escape from his dilemma.

Until then, however, we've had a lot of delightful entertainment in pretty Anglo-Irish periods, very nicely played under John Adams's direction. The Paines Plough company has been strongly reinforced from Ireland, by Richard Leech as Cusack, Garrett Keogh as Sheehan, Gerard Mannix Flynn as Cuckoo, Fiona Victory as Queen Maeve. Anne Haydn as Janet is a sturdy British presence and indeed behaves with much courage in the face of some rather alarming violence.

Drama in Washington

by FRANK LIPSIUS

While Broadway is currently awash with success, other cities are irrigated by New York-bound tryouts going in one direction and the national road companies of Broadway hits headed in the other. The Kennedy Centre in Washington has Lilli Palmer as Sarah Bernhardt in *Sarah in America* preparing for a New York opening next month and the National Theatre is presenting Neil Simon's current Broadway success, *They're Playing Our Song*.

At the same time, Washington has stationary groups that remain in the periphery of the Broadway shuttle, insulated by a loyal following that seems oblivious to the demands—both good and bad—of the more ambitious sort of professional circuit. For nine years, the New Playwrights' Theatre has put on some 40 plays, 200 readings and a few "dramathons" just behind embassy row in the heart of Washington.

Its latest production, *Dear Desperate*, was written and composed by the company's writer-in-resident, Tim Grundmann, who has had seven previous productions there. Harry M. Bagdasian, who directed this musical, is also the company producing director, and most of the cast have been in numerous previous shows.

A certain complacency seems evident in the musical's inoffensive but hardly startling variation of Nathanael West's theme in *Miss Lonelyhearts*, here set in New York in 1915. Most distinguished are Mr. Grundmann's lyrics, which turn a good phrase while giving voice to a chorus's small-town inquisitiveness at the gossip conveyed in Mrs. Brown's daily advice column in the *Evening Sun*. The gossip revolves round the people in Mrs. Brown's personal life; including a daughter in love with her mother's assistant, the return of a prodigal husband, and a pariourmaid encouraged to chase the corner bobby. All the characters are stereotyped into instant recognition, while the plot turns on the villain's recognising Mrs. Brown's daughter in a "moving-picture" theatre.

The Folger Theatre, established as part of a world-renowned Shakespeare library, does not limit its repertoire to the Bard, though the theatre itself is modelled on the Globe Theatre where Shakespeare worked. The latest production is the American premiere of a Peruvian play, *Crossing Niagara* by Alonso Alegria. It concerns Blondin, an actual 19th-century high-wire artist who amassed a considerable fortune and excited an international crowd by repeatedly crossing Niagara 200 feet above the Falls. For his 22nd crossing, Blondin takes a young man, an orphan like himself, on his shoulders. The play follows the introduction of the two characters, their planning and execution of the daring feat.

The whole of the first act takes place in the modest, well-wrought rooming-house accommodation where Blondin is approached by the young fan who gradually comes to interest him. While the actual crossing makes a terrifying edge-of-the-seat scene to end the play, the personal relations between the two characters are barely convincing. Tobias Haller as the young man believes that a high-wire artist should be equally adept, with a little practice, at walking on air. Since Michael Tolaydo makes a thoughtful and sincere Blondin, it is hard to understand his interest in a conversation with the young man, let alone a dangerous new feat that could kill them both. Louis W. Scheeder directs the play to make the most of the exciting finale without alleviating the tedium that precedes it.

Tobias Heller and Michael Tolaydo in Crossing Niagara

Guildhall School of Music

Rossini and Suppé

by ELIZABETH FORBES

Until Friday this week, the Guildhall School of Music is offering a light and highly enjoyable double bill of one act comic operas. *La cambiale di matrimonio*, or Marriage by Promissory Note, was the first work by Rossini to reach the stage. The 18-year-old composer already betrays the fingerprints of the master, while the high spirits of his score are extremely infectious. In Fanny's aria there is even a bit of the melody that turns up seven years later in *Cenerentola's* rondo, having already done temporary service in Almaviva's usually omitted final aria in *The Barber of Seville*.

Fanny is promised in marriage by her father, Tobia Mill, to Slook, a Canadian business associate. But Fanny loves Edoardo, the genial Slook alters the bridegroom's name on the bill of exchange. The production, by Tom Hawkes, in a charming set by Matthew Lorrimer, is unexaggerated in style. Neither Slook, ably sung by Paul Napier-Burrows, nor Mill, somewhat fussily played by Paul Parfitt, is caricatured, while the young lovers are properly treated with perfect seriousness. Miyuki Morimoto is delightful as Fanny, though she is taxed by her aria. Gabriel Sadeh displays an agreeable lyric tenor as Edoardo. The opera is sung in Italian.

Ten Belles without a Ring, on the other hand, the hilarious translation of Franz von Suppé's *Zehn Mädchen und kein Mann* is given in English. Plot and characters are farcical and feather-light. In the same set as the Rossini, though now with mid-century furniture, Mr. Hawkes deploys his cast with the military precision that Siebenkäs has brought to the upbringing of his ten daughters (their mother was a touring opera singer, so they are of varying nationalities).

More than half the 55-minute duration of the piece is taken up by a concert given by the daughters for their single suitor. This gives Suppé the opportunity for some splendid musical parodies of Italian opera in general and of Donizetti in particular. There is also Spanish dancing and, of course, the Viennese waltz that forms the backbone of the score. Both the men's roles are for tenor. Kim Begley makes a resourceful father, while Joseph Matti sighs forlornly as Horst. Colette McCahon, required to don a uniform and beat a drum as part of her duties as Leni the maid, does both very nicely and also sings well.

St. John's, Smith Square/Radio 3

Eder Quartet

The Bartok centenary is suddenly upon us and celebratory performances seem to be everywhere. Monday's BBC lunchtime concert from St. John's brought the Eder Quartet, yet another of that remarkable flush of young groups to have come out of Hungary in the last five years, to play Bartok's fifth string quartet.

Among this new generation of string players first-class technical accomplishment is usually taken for granted, but even so much of the Eder's playing was unusually impressive. Every special effect demanded by Bartok was scrupulously observed; all harmonics were firm, and even in the most complex passages chording was secure and faultlessly tuned. But at times this security seemed to work against the authentic spirit of the performance. The complementary pair of slow movements would have seemed less earthbound had the tone been more etiolated, the pizzicatos less sonorous, for the correspondence of nervosity flattened out contours. But the central scherzo was almost completely successful. There was exemplary clarity in the inner parts and the trio shared its Bulgarian rhythm most eloquently between the lower instruments.

Yet eliminating all risks in the first movement and the finale diminished their physical impact quite drastically. Monotony threatened the motor rhythms, where a sharper profile and less carefully graded accents would have provided a welcome idiomatic roughness.

ANDREW CLEMENTS

Tricycle, Kilburn

Better a Live Pompey . . .

Better a Live Pompey than a Dead Cyril is the somewhat gnomic title of this curious entertainment from the Women's Theatre Group. It is based on the poems of Stevie Smith, who stands in great danger of following Sylvia Plath and Virginia Woolf into the collected pin-ups volume produced by the feminist media. The approach is ruthlessly opposite to that adopted by Hugh Whitemore in his Glenda Jackson vehicle, *Stevie*, of a few years back. Instead of the muse of Palmer's Green, we have a fractured picture of the poet built up in four aspects of her personality.

Or that, at least, is how the show starts. An interesting arrangement of stained glass is backed up by the sort of curious outdoor scenes you would associate, in the mind's eye, with "Night-Time in the Cemetery" or "Alone in the Woods." With a cut-out grey cat, these pictures take on the appearance of hallucinated Rousseau. With a piano and lampshades, the private world of Stevie Smith is imaginatively evoked.

It is all rather like a Gothic suburban version of Hinge and Bracket. Clare McIntyre concentrates on the soignée camp elements you could, in extreme moments, deduce from the verse; Marilyn Milgrom is the mousey archetype of English womankind, with no bosoms and no behind; the talented pianist, Stephanie Nunn (doubling on oboe and saxophone) plays the querulous, cardiganed Stevie for all she is worth: while it is left to Susan Glanville to lord it splendidly in a selection of parlour favourites and to batten down the hatches with a riveting delivery of "The Hostage."

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Wednesday February 25 1981

Spain keeps its head

SPANISH DEMOCRACY has proved a good deal less brittle than the pessimists had feared. If the military leadership really was hankering after a restoration of Franco-style autocracy, it thought better of it when, on Monday, Lt.-Col. Antonio Tejero de Molina gave it the opportunity to strike by his melodramatic seizure of the Spanish Parliament, complete with deputies and Ministers.

Earlier plot

Time will tell whether Lt.-Col. Tejero was acting entirely on his own; whether he was acting in concert with General Milans del Bosch, head of the Valencia military region; or whether he had more widespread backing in the officer corps. But the available evidence speaks against the last, and most serious, of the three hypotheses. Lt.-Col. Tejero once before, in November 1978, plotted against the democratic Government: his plans were nipped in the bud by military intelligence, though military justice subsequently let him off lightly.

The likeliest explanation is that the army leadership, though unhappy about the gradual democratisation of Spain, does not want to risk a trial of strength. That theory is supported by the conduct of General Manuel Gutierrez Mellado, Vice-Premier in the outgoing Suarez cabinet, and generally considered the forces' representative in the Government. He was in the Parliament building at the time of the seizure and tried to argue Lt.-Col. Tejero's men into abandoning the adventure.

There are good reasons from the point of view of the officer corps why the forces should not wish to risk a clash with the democratically elected parliament and the Government responsible to it. The chief of these is that 1981 is not 1936. The world at large and Spain have changed greatly since the year when the Francoist civil war against the Spanish Republic began.

In those days Fascism was in fashion: Hitler and Mussolini were in power and, subsequently, gave invaluable military help to General Franco's forces. Spain itself was an almost wholly unindustrialised country, lacking a stable and broadly based bourgeoisie. All that has changed: the social basis for democratic Government has been created.

The fact that modern Spanish democracy has been established in the form of a constitutional monarchy is another crucial difference between the present day and the 1930s. The loyalty of the officer corps to the person of the King is a factor to be reckoned with, whereas most officers had little but contempt for the republic.

Under these circumstances it must be obvious to all but unthinking diehards that a clash with the Government of the monarchy would risk dividing the armed forces. At present they enjoy a role of great prestige and authority in the state such a split would risk destroying that position.

That consideration is reason enough for taking a "wait and see" position, as some military men probably did. It is notable that on the other side of the fence the Socialists and Communists also went out of their way not to raise the temperature. Talk of a general strike to defeat Lt.-Col. Tejero died down very rapidly.

Danger might, therefore, arise if one side or the other loses its head. For instance, if disaffection in the Basque country increases, the moment might come when the armed forces would find public opinion on their side in the interests of restoring order. Last year's more than 100 political murders are a serious warning. If terrorism should rise to Turkish levels, then some people might dream of Turkish "solutions."

Guarantee

The best guarantee for a continued steady evolution of democracy in Spain is that all concerned should keep their heads, as they did during the attempted coup. But equally the incoming Government of Sr. Leopoldo Calvo-Sotelo must be firm: it would be fatal to show weakness to the plotters. On the contrary, the Government should seize the opportunity gradually to strengthen political control over an officer corps still enjoying far more independence than is usual in established democracies.

Last chance for British Steel

AFTER ITS humiliating retreat before the barons of the coal industry last week, the Government is at least — some would say at last—making an attempt to restore some sanity to the country's steel industry. Once enacted, the Iron and Steel Bill published yesterday will have the considerable merit of allowing the Government to denationalise an industry that should never have been nationalised in the first place.

Flexibility

As Sir Keith Joseph, the Industry Secretary, told the House of Commons, the British Steel Corporation's new corporate plan may be optimistic, but it is also reasonable to give the Corporation one last chance to put itself in order now that it is under the new management of Mr. Ian MacGregor. Mr. MacGregor is planning a manned capacity of 14.4m tonnes of liquid steel a year, but is committed, if the assumptions behind the plan are not sustained, to reduce the Corporation to a size that can make a profit. The first detailed progress report will be made in July.

Far more important than the planned reduction of capacity, however, is the fact that the new legislation will give the Government a flexibility in dealing with the industry which has been lacking before. It will no longer be obliged by statute to keep a British Steel Corporation in being. Once that is the case, a whole range of options, extending between the extremes of liquidation and outright denationalisation, will become available.

No one should under-estimate the problems which the industry has been facing. Quite apart from the effects of the recession, steel-producers have been the victim of the decline of British manufacturing industry in general. Every manufacturing company that goes bankrupt, or merely reduces output, cuts the demand for steel. The car industry is only the most conspicuous example; there is also the construction industry, which is now at one of its lowest-ever levels of activity.

Again there is the effect of the high exchange rate. Along with domestic inflation, it has encouraged steel imports and reduced steel exports. The new BSC corporate plan notes that at the end of last year the equivalent EEC prices, stated in sterling, have dropped by about 20 per cent since 1978-79, mainly as a result of the strengthening of the pound.

Most recently there has been the problem of the BSC undercutting the private sector through its new aggressive pricing policy. A year ago, during the prolonged BSC strike, it was the private sector which showed that steel could still be made at a profit. It is clearly intolerable that BSC should now be threatening to drive private steel-makers out of business because it is subsidised and they are not.

It is no doubt for this reason that the Government sanctioned talks on co-operation between BSC and the private sector which have so far led to the joint venture between the Corporation and GKN for the production of wire rod, otherwise known as Phoenix 1. Other Phoenixes are said to be rising from the ashes.

Yet the Government still has a good deal of explaining to do. The Phoenix projects are themselves ambiguous. Far from being a step to returning the steel industry to the private sector, they could be seen as nationalisation by the back door —a move to limit competition rather than extend it. It would be a strange reaction to the criticisms of the subsidies of the BSC if the Government ended up by subsidising parts of the private sector as well. Perhaps this interpretation is uncharitable, but nothing has been said so far totally to contradict it.

Competition

There are several ways in which the Government and the BSC could now proceed short of outright denationalisation.

The Corporation could be further decentralised and its more efficient parts allowed to go on their own way even while remaining under state ownership. Parts of it could be liquidated, parts sold off and parts could go into partnership with private firms, provided that it is the private sector which is on top. What matters is that the BSC's costs should be rigorously reduced, that the whole process should be carefully monitored and that this really is BSC's last chance.

The Tories came to power nearly two years ago pledged to promote competition. They experienced last week what happens when the barons rule. The way to overcome the barons is to break up their concentrations. Belatedly, the Government may have begun to practise its own philosophy.

BRITISH STEEL

Sir Keith gets no guarantees

By Alan Pike

SIR KEITH JOSEPH and his colleagues know that in return for yesterday's decision to inject yet another £880m of state aid into the British Steel Corporation and write off £3.509bn from its balance sheet —they are getting guarantees of nothing.

The background to the problems facing the Western European steel industry in general and the British one in particular was "really horrific," said the Industry Secretary in his opening remarks at a Press conference on the Bill. This, he added, is the beginning of BSC's "last chance to become profitable."

British steel producers had been hit by the recession, lack of competitiveness and the effects of last winter's strike. In these circumstances Mr. Ian MacGregor, BSC chairman, had described his corporate plan for bringing the Corporation back to profitability—while retaining its steelmaking capacity almost intact—as "optimistic," and Sir Keith said, he shared this view.

What comes next if the admirable quality of optimism proves to be unjustified? Sir Keith stressed that Mr. MacGregor would not wait until the end of the year to exercise his commercial judgment, if necessary. But those anxious to predict the next crisis in the affairs of the British Steel Corporation should mark the month of July. Sir Keith has told Mr. MacGregor to provide the Government with an assessment of progress on his corporate plan by then.

If things go badly this could rob the Royal Wedding of a few July headlines. The existing corporate plan demands more than 20,000 redundancies and, unless there is firm evidence to support continued optimism, more could be announced by then.

Mr. MacGregor and his colleagues considered further closures in the strip products field when drawing up the present plan, and employees know that these will be revived if a clear improvement in performance is not showing by mid-year.

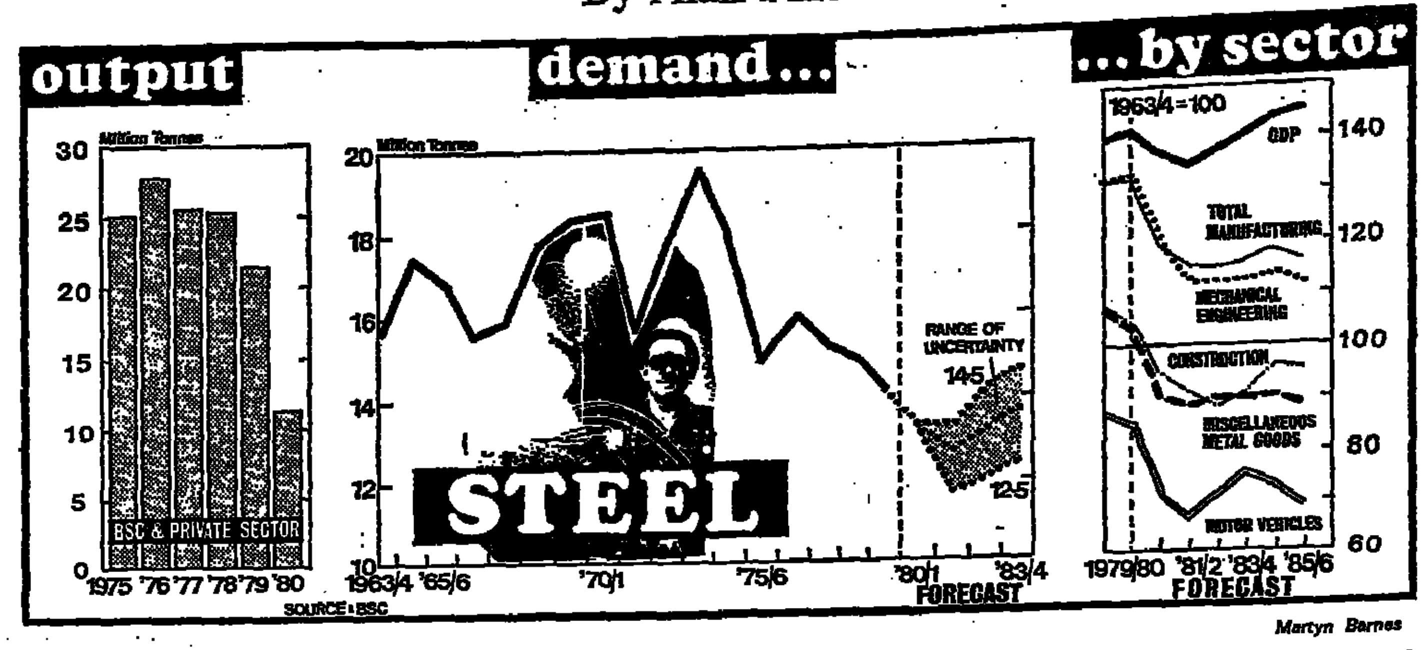
Mr. MacGregor's main weapon in his struggle to bring BSC back to profitability is a substantial improvement in productivity and reduction in costs—plus an aggressive drive to sell every possible tonne of steel, which has been upsetting some of his competitors in the private sector. But some of the factors in the equation—like the general level of demand in the British market and activities elsewhere in the European steel industry—are outside his direct control.

On the European question, the Government is already involved in discussions with its EEC partners on measures to replace the current mandatory production controls which have been applied on the European industry under Article 58 of the Treaty of Paris until June 30.

Whether Article 58 is succeeded by a further period of mandatory controls or a voluntary regime, it is essential for BSC that the measure of production and price control which has begun to return to the European industry is strengthened and maintained.

Yesterday's decision to invest still more public money in BSC will require EEC Commission approval. The British Government expects to obtain this on the grounds that it is supporting measures designed to structure a more efficient industry.

Under provisions for the reconstruction of BSC's finances contained in yesterday's Bill some £3.5bn will be written off the corporation's balance sheet. There will also be provisions for a further write-off of up to another £1bn



SOURCE: BSC

Martyn Barnes

None of this, Sir Keith stressed, represented the commitment of actual additional funds — it reflected "the huge cost to the taxpayer of over-ambitious, centrally directed investments and the uncompetitive use of many of them."

Once the write-off has taken place, BSC's borrowing limit will be reduced to £3.5bn to reflect the new balance sheet. So far as current financing within the corporation's current borrowing limit — which will be raised to £6bn when the Iron and Steel (Borrowing Powers) Bill is enacted tomorrow—is concerned, the Government yesterday announced an extra £150m for 1980-81, taking the total in the current financial year to £1.12bn.

When an external funding limit of £730m for 1981-82 is added the Government will have provided BSC with £1.851bn over two years. About £180m of the £730m will be allocated to redundancy and closure costs.

The capital reconstruction will save the corporation interest payments of some £70m. Mr. MacGregor's target is to reduce BSC's losses before interest from an estimated £480m in the current financial year to £225m in 1981-82, and to breakeven in 1982-83.

Moves to implement closures and other job reductions contained in the BSC corporate plan are already under way.

Mr. MacGregor has won the first round of his drive for the support of employees which is essential if the plan is to be implemented effectively. A workforce ballot voted to support the proposals and unions have agreed to defer the annual pay settlement due this winter until July, when 7 per cent increases will be paid.

But more than redundancies and a pay freeze is being demanded from the BSC workers—they have been told they must improve working practices, eliminate unnecessary tasks and cut absenteeism and unnecessary overtime.

Given the past problems of the British Steel Corporation, the Government's decision to support the corporate plan is, as Mr. MacGregor is aware, a massive test of his optimism.

The private sector's six-month nightmare

By Hazel Duffy

THE IRONY of the present crisis in the steel industry is not lost on Britain's struggling private steel makers.

After a decade of growth during which their share of the nation's steel output climbed from 10.6 per cent to nearly 17 per cent the last six months have ben a nightmare. The recession has cut sharply into demand and the British Steel Corporation has been discounting its prices heavily to win back market share which it lost during last year's steel strike.

Simultaneously a Conservative Government has been feeding the voracious appetite of BSC. This has angered some Tory backbenchers who argue that the private steel makers, which made a profit all through the 1970s have been squeezed at both ends by a heavily subsidised BSC.

This has led to some embarassing moments for Sir Keith Joseph, the Industry Secretary, at the hands of Conservative MPs as well as the Opposition. Sir Keith knows only too well that BSC only managed a profit four times in the 1970s.

As the problems began to pile up last autumn, private steelmakers like GKN began to put discreet pressure on the Government. In the certain knowledge that Mr. Ian MacGregor, BSC chairman, would be asking for more public money when he submitted his corporate plan to the Government (it finally arrived on Sir Keith's desk in December), they asked the Government to take them into account when deciding upon its reply to BSC.

All the while BSC was arguing that its aggressive pricing strategy was not aimed at the private sector, but rather part of a new campaign to fight off imports. The private steel makers are not convinced. Mr. Colin Cook, managing director of the now-doomed Duport-Llanelli plant, for instance, says that BSC is discounting its list prices by 15 per cent for some of the products where it competes with Duport.

Mr. Edward du Cann, a director of Lonrho, which owns Hadfields, is among Conservatives who are incensed at the fact that BSC has been able to adopt these tactics because it is being subsidised by the Government.

Ideological considerations apart, however, the role of the private sector has to be assessed in relation to the declining market. BSC is the dominant producer of crude steel, tinplate, billets, blooms, slabs, sheets and other products in non-alloy steel, and flat stainless steel products. The strength of the private sector is in most alloy steel products such as forgings, castings, high-speed tool and magnet steel. The overlap areas between public and private sectors account for only about 20 per cent of BSC's activities, according to BISPA. They include:

● Wire rod and bar: This is an area where there is tremendous over-capacity, and was the subject of agreement between BSC and GKN last week to set up a joint venture to run these activities. Other private-sector producers include Sheerness Steel and Manchester Steel.

● Engineering steels: This is a much bigger area which includes Duport (whose processing facilities are to be transfered to BSC), Hadfields, Round Oak, and GKN at Wrexham, as well as BSC. Capacity is put at around 4.8m tonnes and likely demand (calculated before the closure of Talbot's Linwood plant was announced) is 3m tonnes. The main customers are in the automotive and engineering industries.

● Special steels: The sector includes processors of high value steels, like Johnson and Firth Brown, Aurora, Neepsend and Lee, and BSC. The sector has already seen considerable rationalisation which has included BSC, and there is a very definite desire that it continue at around its present strength.

Several possible solutions to the present problems of the private sector are under consideration by BISPA, Government officials and the individual companies. Sir Keith has expressed his preference for viable ventures to be formed between the public and private interests, with BSC as a minority shareholder.

The trouble with this solution is that the private sector companies cannot or will not put money into such ventures. This has already been demonstrated by the BSC/GKN agreement which was the subject of prolonged discussion resulting in GKN contributing most of the assets and BSC injecting further working capital over the next three years. In the case of Duport, which was under severe financial strain, BSC has taken those facilities deemed worthy of being saved in the hope that they will in time form part of another joint venture in engineering steels—the so-called Phoenix 2.

It is still unclear whether BSC's role in these agreements will involve extra finance from the Government.

Restructuring will continue within private sector companies, sometimes with Government assistance. Aurora Holdings (which has acquired Edgar Allen and Samuel Osborn in the past three years) announced last week that it has been granted up to £450,000 from the Department of Industry, and a loan of £836,000 from the European Coal and Steel Community to enable it to invest and restructure.

Other possible solutions being canvassed by various companies in the BSC/private sector overlap areas include BSC being directed not to discount prices in these products. There is a strong suspicion in some quarters, however, that this would lead to a further surge in imports rather than help for the private sector, even if the technical problems could be surmounted.

It has been further suggested that certain companies in the overlap area could be taken into temporary public ownership—a sort of mini BSC—which would be returned to the private sector when the economy picks up.

In practice, a combination of these remedies may well emerge, but it will not be without the sacrifice of some of Britain's best steelmaking and processing. The Llanelli plant of Duport's, for instance, was recognised as one of the most efficient and modern in the country yet it could not be included in the rescue package.

PARTIES TO THE TALKS

THE FOUR major private sector steel producers which have been involved in talks with the British Steel Corporation and Government on rationalisation of engineering steels production are: GKN; Duport; Hadfields (part of Lonrho) and Round Oak (jointly-owned by Tube Investments and BSC). Two other leading private producers in the same field—Sheerness Steel and Manchester Steel—have stayed outside the talks.

MEN AND MATTERS

A groom of one's own

Bring out your handkerchiefs! The open season on what MP Willie Hamilton yesterday called "several months of gush and distraction" has now begun with the announcement that Prince Charles is finally to marry Lady Diana Spencer.

The question was popped by Charles three weeks ago, just before Lady Diana left for a holiday in Australia. "I wanted to give her a chance to think about it—to think if it was all going to be too awful," explained the heir-apparent yesterday. Evidently feeling up to the clincher, Lady Diana accepted, and the two kept their secret while gaining the approval of their families and the Prime Minister.

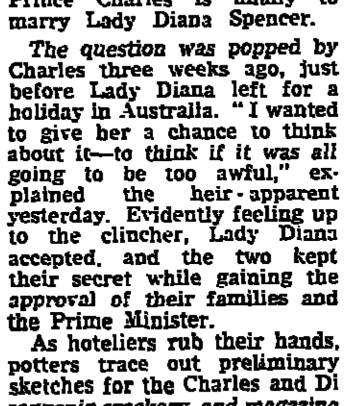
As hoteliers rub their hands, potters trace out preliminary sketches for the Charles and Di souvenir crockery, and magazine publishers dust off the glossy supplements piled up in their warehouses, the great British public gears itself up for the spectacle. Within hours of yesterday's announcement, curious families were settling down in front of the Buckingham Palace gates with their ham sandwiches and paperback books, waiting for a glimpse of the no-doubt-radiant couple.

It is, as we have been reminding ourselves for six months or so, the perfect match, endorsed by everybody from Barbara Cartland to Nigel Dempster. The image of the young bride, captured definitively in Snowdonesque photographs last year showing her petticoat-less, swathed in sunlight and clutching a kindergarten child, has rarely been off the front pages of the popular Press, accompanied with exhortation to Charles to get a move on.

The courtship dates back to November, 1977, when the 16-year-old Diana caught the Prince's eye during a shooting week-end at Althrop, the Spencer family estate in Northamptonshire. "I introduced them," said Diana's sister, now Lady Sarah McCorquodale, yesterday. "I am Cupid. It's wonderful news, and I'm delighted."

The marriage is now set for late July. Yesterday, the couple had not finalised where they would marry or honeymoon, but tradition points to Westminster Abbey as the place for the service.

Lady Diana has acquired a hard-won reputation for coolness in the glare of publicity. Doorstepping journalists have dogged her from Australia to the Brompton Road, perhaps sympathetic in intent but rather tiresome in practice. That, at least, she will have to bear no longer. Now that the engagement is formalised, she will leave her job at Pimlico's Little England kindergarten, and her flat in London's South Kensington, to be taken under the Palace wing and afforded the protection given to members of the Royal Family.



"Lady Diana, I expect"

Best off were the potters, notably Wedgwood and Royal Worcester; tourist hopes helped hotels, while a more diffuse and mysterious optimism helped retailers like Boots and Marks and Spencer.

Wedgwood has been alive to the possibility of a marriage for two or three years, said deputy chairman Peter Williams yesterday. It has, he says, "got quite major plans" for souvenir crockery and glassware, with a limited edition black basalt bust of Prince Charles, costing £800 or more, at the top of the range. Royal Doulton plans some 20 commemorative pieces, including a £750 loving cup.

Hoteliers are cautiously optimistic. Both Trust Houses Forte and Grand Metropolitan are enthusiastic about the event, but Grand Met points out that it will not a be a bonanza of Jubilee proportions. That, observed the group, was a year-long event, while this will be but a single day.

Flush Royal

The Prince, of course, is not short of a pound or two and should have no worries about the expenses of married life—though he has long reserved the right to another chat with the Treasury once he is wed.

His 644-year-old title of Duke of Cornwall and the 130,000 acres in nine counties that go with it make him a millionaire. The Duchy in 1979 provided him with an income of about £250,000 after a similar amount had been voluntarily transferred to the Treasury in lieu of income tax.

Before the Prince was 21, most of the Duchy's profits went to offset some of the public cost of the Civil List. But any surplus from his allowance was prudently invested, and the accumulated nest-egg of around £300,000 he received when he came of age formed the basis of a portfolio now handled by three City stockbrokers. Its present value is a closely guarded secret.

As Duke of Cornwall, Prince Charles is the landlord of the Oval cricket ground, Dartmoor Prison, the Helford oyster beds half a dozen ancient castles, thousands of farms and South London houses and flats.

The Prince has a farm of his own in East Cornwall where he breeds Devon Red Ruby cattle, and the Duchy provides him with a three-bedroomed cottage in the Scilly Isles.

But the Prince has generally preferred his private apartments at the Palace and Windsor Castle which are maintained at State expense. His acquisition of High Grove, in Gloucestershire, last year was taken as a sure sign of his impending marriage by veteran Royal watchers.

With expensive hobbies like polo and a penchant for generous contributions to charity—all his Royal Navy pay went to a sailors' fund—Prince Charles has probably had little left over from his Duchy income in recent years.

And even though Lady Di comes from a wealthy background—her mother is a member of Lloyd's—it seems the Treasury may be asked to yield some of its present share.

The Prince could always barter some of his ancient rights for the cash. The annual leg of roast mutton from Fordingham, for instance. Or the whales and porpoises washed up on Cornish beaches, if not the 300 puffins he is entitled to claim from the Isles of Scilly.

Bulls in china

The Stock Exchange tipped its hat to the Royal wedding in the traditional fashion, by marking up the shares which it thinks it will make a few bob from the occasion.

Di is cast

Quick off the mark yesterday was waxworks Madame Tussauds, which immediately despatched its messenger to ask Lady Diana for a sitting. All being well, her simulacrum will be added to the Royal Family tableau on the wedding day.

Observer

FINANCIAL TIMES SURVEY
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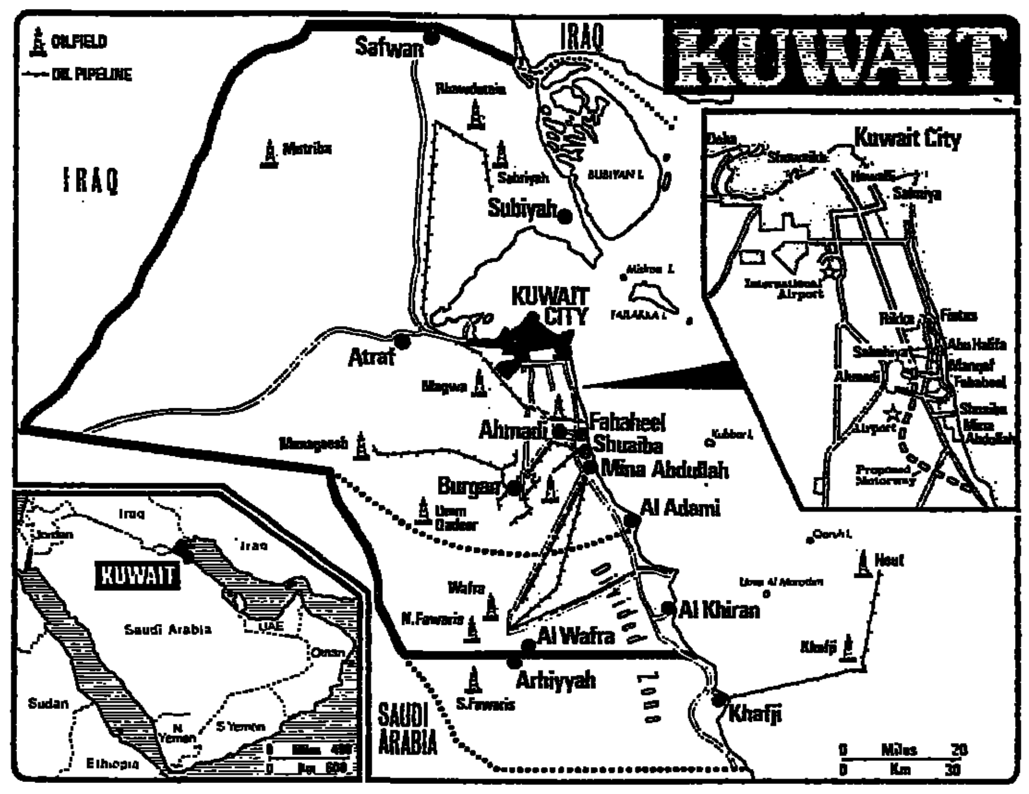
KUWAIT

The Iran-Iraq war is testing Kuwait's balancing role in Middle East politics. Its sureness in inter-Arab diplomacy is not enough to dispel fears of a victory by one side which would weaken Kuwait's security and unsettle the region. Economically, the country remains entirely dependent on oil, but there is plenty left and the revenues are still pouring in.



Calm voice in politics

By Patrick Cockburn

THERE ARE few signs of the Iran-Iraq war in Kuwait. A scattering of orange notices point to bomb shelters and each day hundreds of trucks carrying supplies rumble north across the Iraqi frontier. Restrictions on visas have largely ended.

The Press still reports the conflicting claims of military success from Kuwait's two powerful neighbours, which are read with disbelief and increasing disinterest.

Yet the war is the greatest test for Kuwait since Iraq claimed sovereignty over the country in 1961. Since that time Kuwait has played a balancing role in Middle East politics. Today this sense of balance is needed more than ever.

Kuwait's population is only 1.3m compared to a combined total of 50m for Iran and Iraq. Its foreign assets are put at $67bn but this abundant wealth does not guarantee the state's security.

This can be done only through political means. In the past Kuwait has been the most effective mediator among members of the Arab League and the members of OPEC. It has built up a fund of goodwill. Support for the Palestinians, vocally demonstrated for 20 years, ensures that the country has a credibility among the militant Arab countries enjoyed by no other Gulf oil state. In inter-Arab diplomacy Kuwait has an unrivalled sureness of touch.

Yet diplomatic sophistication is not really enough. As in other oil states on the western side of the Gulf there is a limit to the country's capacity to affect the course of political events in the region. It is militarily weak and Kuwaitis make up only 41 per cent of the State's inhabitants.

Aware of this, there is little Kuwait can do except hope that the Iran-Iraq war produces no victor who would then be in a position to dominate the Gulf. Some nominal support is given to Iraq. Kuwaiti ports are used to send supplies north to Basra and Baghdad. And there is some hope that Iraq will settle outstanding differences on the border between the two countries.

Kuwait wants to ensure that it is not identified with Iraq. Late last year there was a warning from Iran in the form of two fighter-bomber raids on the border post with Iraq at Abdali. In a separate incident one Iranian fighter, which was forced to land in Kuwait because of lack of fuel, is said by diplomats to have been given fuel and told to fly back to Iran as quickly as possible.

Worried by the outcome of the Iran-Iraq war, the Kuwait Government is also nervous that the war will bring in the great powers. The Soviet intervention in Afghanistan has created few ripples. Over the past year the main fear has been of the U.S. moving forces to the Gulf. The abortive Tabas helicopter raid into Iran last year to rescue the American hostages brought these worries to a head, but the hostages' release has led to a more relaxed atmosphere.

Pressures

The need for Kuwait to balance the great powers against each other goes back to the time when the ruling dynasty of the al-Sabah family moved from present-day Saudi Arabia to the northern end of the Gulf in the middle of the 18th century. The small town, dependent on trading, fishing and pearling was prey to conflicting pressures from nomadic tribes of Arabia to the south and west and the settled population of the Mesopotamian plain to the north. In a different form the same pressures exist today.

Whatever the differences between Saudi Arabia and Kuwait both countries suffer from the same weaknesses and enjoy the same financial security. The recently-established Gulf security organisation will help unite the smaller oil states but there is little it can do to boost their military strength.

Saudi Arabia cannot itself guarantee Kuwaiti security. Its own defence forces are limited in numbers and military capacity. But Saudi Arabia is guaranteed by the U.S. If the Iran-Iraq war were to spill across Kuwait's borders then Kuwait would look to Riyadh which would in turn look to Washington. Thus at one remove the U.S. security umbrella does cover Kuwait.

Yet American support for Israel and the more bellicose suggestions of U.S. troops to be stationed in Israel or Egypt coming from members of President Reagan's new administration make the Kuwaiti Government nervous. It feels that such rhetoric does much to undermine the very stability in the region which Washington is seeking to maintain. At the same time Kuwait has a cooler more restrained attitude to seriousness of the threat posed by Iran than Saudi Arabia.

There are few signs of Iran's revolution having made much impact on Kuwait's domestic politics. The initial enthusiasm for Ayatollah Khomeini, visible in the early part of last year, has largely died away. Although Kuwaitis do comprise a minority of the country's total population, the non-Kuwaitis including the large population of Palestinians, have not notably increased their political activism.

The 20 per cent of Kuwaitis who belong to the Shiah sect have remained quiescent during the war though hardly concealing their private sympathies. The wealth of Kuwait means that there is little in common between, say, the hardline Islamic militants from the slums of South Tehran and their co-religionists in Kuwait.

CONTENTS

Discontent in Kuwait is limited when compared to the fears in the West after the fall of the Shah that Islamic revolution might sweep through the Gulf. There are no signs of this happening. But at the same time there is continual and understandable ill feeling among many of the 59 per cent of the population who are not Kuwaiti citizens.

Even those born in the country are uncertain how long they will be able to stay. Housing and education are expensive. Palestinians, Lebanese, Syrians, Egyptians and others have benefited from Kuwait's wealth but few have found the streets paved with gold. Indians, Pakistanis and Sri Lankans, often engaged in the most menial occupations frequently receiving surprisingly low salaries.

There are few signs, however, that the discontent which does exist will ever pose a real threat. The non-Kuwaitis are deeply divided between Arabs and Asians, and the different nationalities within each group. The Kuwaiti radicals are of a fairly sedate kind.

From the end of this month such dissidence as is felt by Kuwaitis will once again have a forum in the revived National Assembly. This was suspended in 1976 for four years. This month's elections for the 50-seat Chamber redeem the pledge made then.

Tents in which the large number of candidates vie for the votes of the 41,700 electors are scattered around Kuwait. It is a measure of Government confidence that the elections have gone ahead at a time when most Gulf countries are restricting freedom of expression. It will be interesting over the next year to see how far the conflicts of the Arab world as a whole will find a focus in the new parliament as they sometimes did in the pre-1976 Assembly.

The Iranian revolution and all that has flowed from it has clearly changed Kuwait's international position and had an influence on its domestic politics. *The other great event in the* Gulf over the past two years, the spectacular increase in oil prices, is having only a limited impact.

Before prices began to go up in late 1978 Kuwait still had a large surplus. The Government's duty is as much to protect the domestic economy from the impact of this wealth than to channel the money towards its citizens. More projects are now being started, notably rebuilding of much of the refinery sector, but these will use only a limited amount of the increased oil revenues.

Kuwait has already cut its oil production to 1.5m barrels a day and even so cannot absorb the wealth this brings in. With reserves estimated to be $67bn investment income will rival oil revenues some time over the next ten or more years.

The cut in production has done little, however, to diminish Kuwait's influence within OPEC. Here it has long played a mediating role between hawks and doves but at the same time its own attitude to prices over the past two years has been extremely tough with heavy premiums now coming up for renegotiation.

Kuwait's development over the past 20 years has produced two sets of problems. The difficulties facing the Government in providing a sophisticated economic infrastructure can all be resolved through money. A balanced and astute foreign policy has made the country many friends and few enemies.

But the second set of problems, notably self-defence and the awareness of the country's reliance on a labour force of which less than a quarter is Kuwaiti, seem not only difficult to resolve but insoluble.

BASIC STATISTICS

Area:	17,656 sq km
Population (1980):	1.3m
GDP (1979):	$23,282m
Per capita (1979):	$18,332
Trade (1979):	
Exports	$18,258m
Imports	$5,202m
Exports to UK	£743m
Imports from UK	£233m
Proven oil reserves:	70bn bls.
Oil production:	1.5m b/d
Balance on current account (1978):	$+6,168m
Inflation (1979):	5.1%
Currency:	Kuwaiti Dinar
£=KD0.643	$=KD0.274

War tests the balancing act

FOREIGN POLICY
PATRICK COCKBURN

FOR ALMOST 20 years Kuwait has successfully carried out a difficult balancing act in the Middle East. It has been the moderator between the radical states and its more conservative neighbours, notably Saudi Arabia. Now, the Iranian revolution and the eruption of the Iran-Iraq war are testing the Kuwaitis' sense of political balance to the utmost.

For all the country's vast wealth—foreign reserves are estimated to be $67bn—Kuwait's ability to defend itself is limited. Its population is only 1.3m, the majority non-Kuwaitis, compared to 13m Iraqis and 36m Iranians. The country's defence, therefore, depends on political rather than military means, as the Kuwaitis have always known.

Immediately after Britain ended its control of Kuwaiti foreign policy in 1961, Gen. Qassem of Iraq claimed sovereignty over the country. British troops were landed. Three months later they were replaced by an Arab League force to guarantee Kuwait's independence. The incident ensured that from the beginning Kuwait has had a sense of of its own vulnerability.

The Iran-Iraq war is now putting Kuwaiti's foreign policy through its severest test since 1961. In the first days of the fighting many Kuwaitis not of Iranian origin were pleased to see Ayatollah Khomeini under attack though deeply worried by the implications for their own security. A scattering of orange notices appeared around Kuwait city pointing to bomb shelters—usually the basement of public buildings.

In the event, however, the stalemate in the war is in Kuwait's interests. A victorious Iran or Iraq will pose a threat difficult to combat. The Government has no desire to see any single power establish its hegemony in the Gulf.

As an Arab country Kuwait has inclined slightly towards Iraq. Every day some 9,000 tons of goods are carried through the country from the ports of Shuwaikh and Shuaiba en route for the Iraqi border. An undisclosed amount of oil products from the refineries is also sent north. Some trucking companies have done well out of this business and merchants are looking for a surge in orders from Iraq once the war ends.

But the Government does not want to become too identified with Iraq. Last year the border post at Abdali was twice strafed by Iranian fighter-bombers as a warning against Kuwait becoming Baghdad's main supply line. Fortunately, the enthusiasm with which King Hussein of Jordan has backed Iraq's President Saddam Hussein has diminished Iraqi pressure on Kuwait to provide vocal support.

Iraq has indicated that it is willing to finally settle the border dispute. The last major flare up was in 1973 but Kuwait has always been nervous that Iraq will use it again. Given Baghdad's current need for allies this may be an opportune moment for the question to be settled, but by the same token it is unclear how far a settlement reached now will really be regarded as final in Baghdad. After all, Iraq began the war against Iran by renouncing the Algiers agreement which supposedly ended all territorial claims in 1975.

Casting around for allies, Kuwait inevitably looks to Saudi Arabia. Clearly the Saudis have more in common with Kuwait than either Iran or Iraq. They are also subject to the same fears. The population of both countries is too small for them to utilise their vast wealth to put militarily-significant armies into the field.

Both countries are fearful of seeing either of their embattled neighbours establishing hegemony over the Gulf. They are also worried that the war, the threat to the Strait of Hormuz or the oilfields of the Arabian peninsula will provide an excuse for super power intervention, hence the new Gulf security group set up this month to co-ordinate the oil states of the western Gulf. Iraq is a notable absentee from the new organisation.

The Saudis cannot themselves defend Kuwait. They do, however, provide an insurance policy at one remove. Keen though Kuwait is to keep the U.S. out of the Gulf, it requires an assurance that, if the worst came to the absolute worst, then their country would enjoy super power protection. But up to the moment when that insurance policy is needed, getting close to the Americans would create more problems than it would solve. Through its close links with Saudi Arabia, which does have a U.S. guarantee, Kuwait can enjoy such protection without openly asking for it.

Efforts by the U.S. to convince the Kuwaitis that the Soviet intervention in Afghanistan imperils their own security in any significant way have been largely unsuccessful. The country has amicable relations with the Soviet Union. Soon after Russian troops entered Afghanistan the Kuwaiti army used its Soviet-built Luna missiles as a demonstration of its neutrality.

With the rest of the Arab world Kuwait has always tried—usually with more success than Saudi Arabia—to act as an arbitrator. Just after the Islamic summit this January, for instance, the Emir toured both North and South Yemen. Since the early 1960s Kuwaiti money has been used in the form of subsidies and low-interest loans to bolster its relations with the poorer Arab states.

However, money and political astuteness would not be sufficient to allow Kuwait to arbitrade between the political militants of Syria, Algeria and Libya on the one hand and Saudi Arabia and some of the smaller emirates on the other. Kuwait's attachment to the Palestinian cause, its support for the PLO, has given its political initiatives a force they would not otherwise enjoy.

For instance, the differences between Iraq and Saudi Arabia at the Baghdad summit which condemned the Camp David agreement between Israel and Egypt were largely resolved through Kuwait's mediation.

Despite these foreign policy successes, there is little Kuwait can do about its own military vulnerability. Conscription has been introduced and foreign liaison teams help train the army, but there are only ½m Kuwaitis from which to muster the armed forces. Some of the army can be drawn from other nationalities but the bulk of it is of Kuwaiti origin.

Out in the desert there are strange mounds where tanks and artillery have been dug in during manoeuvres but the Kuwaitis' terrain is too flat to provide any defensive line. Whatever the proficiency of the armed forces, Kuwait's defence, now as ever, is in a balanced foreign policy.

Foreign investments grow as oil revenues roll in

ECONOMY
PATRICK COCKBURN

THE BOOM in oil prices over the last two years, during which Kuwait's earnings per barrel have almost tripled, has had less impact than might be expected. Constraints on the country's economy over the last decade have never included shortage of government funds. With the capacity of Kuwait to absorb more money limited, most of the surplus will inevitably be invested overseas.

The Government has no wish to see the 1973-77 boom restarting and wants to avoid any build up in inflation and immigration. Most of the major infrastructure projects have already been completed, but there should now be an increase in major project spending after two years of very limited growth.

This is good news for some local and international companies but will not really affect the steady pace of Kuwaiti development. One businessman said: "We have shifted from a go-go boom to a more mature economy."

The country remains entirely dependent on oil. Few new industries of any significance have been started. Going by the provisional figures for 1979, no less than 73 per cent of the gross domestic product comes from oil and refining, 5.8 per cent from wholesale and retail trade and only 2.8 per cent from construction.

This has made Kuwaitis acutely conscious of the value of their one asset. Oil production peaked at 3.3m barrels a day in 1972 and has now sunk to 1.5m b/d. At this rate of exploitation it will be the end of the next century before Kuwait runs out of oil, and even this deadline assumes that no more oil will be discovered. This emphasis on conservation is growing throughout OPEC but is seldom so deeply felt as in Kuwait

Despite Kuwait's militancy within OPEC, however, movements in the price of oil have only a very limited effect on individual Kuwaitis. The crucial factor in the domestic economy is per capita Government expenditure. This fell in the late 1970s and is unlikely to show a spectacular increase in real terms over the next decade. The gap between Government expenditure and revenue will inevitably widen.

For instance, the 1980-81 budget estimates Government revenues for the year to be a shade under $17bn. With the increase in oil prices they are more likely to be over $25bn, but even going by the original figures 63 per cent was allocated for state expenditure, 20 per cent for the Reserve Fund for Future Generations, and 15.9 per cent for the general reserve.

The budget allocated funds for a 30 per cent growth in government expenditure or $11bn. This will boost the economy but even so it is likely that, in the event, more than half of Kuwait's income will go into the reserve fund, general reserves and the Kuwait Fund for Arab Economic Development.

Inevitably, most of the surplus is invested overseas. By the end of 1980 Kuwait's net foreign assets had risen to an estimated $67bn and investment income alone was topping $6bn. In 1979 alone reserves rose by a massive 40 per cent to $47.7bn. According to Mr. Abdel-Rahman al-Attiqi, the Finance Minister. Compared to these figures even a 30 per cent boost in government expenditure can absorb only a small amount of increased oil revenues.

In the past Kuwait has normally pursued as discreet a policy as possible in investing these funds. Some 66 per cent are invested in western Europe and the U.S., 28 per cent in Kuwait and 5 per cent in other Arab countries. Though investments are normally unspectacular last year did see an abortive billion-dollar bid for 15 per cent of Getty Oil and a more successful effort to take control of Hay's Warf.

These investments will continue to grow until, at some point over the coming decade, investment income will equal oil revenue. A more difficult problem than administering these funds is channelling money to Kuwaitis without creating an inflationary boom or bringing in more immigrant workers.

Traditional methods used by the government include the purchase of land at high prices, raising salaries, pensions, subsidies, social security, sinecures or purchasing shares on the stock market at inflated prices. The problem is that, generally speaking, the government needs to seal off the country's economy from a flood of petro-dollars but ensure that its own citizens benefit at a steady rate from government revenues.

The individual Kuwaiti suffers from the same lack of investment opportunities. Over the last three years there has been a rapid growth in foreign currency deposits in the banks, taking advantage of high interest rates. With Kukaiti dinar lending rates held artificially low, investors have been quick to take advantage in the disparity of rates.

This has led to a liquidity shortage and reduced the money circulating in the local economy. With the dinar so closely linked to the dollar investors have little exchange risk.

This attraction of dollar interest rates, and the absence of exchange risk, makes it impossible to calculate how much money has left Kuwait because of the Iranian revolution or the Iran-Iraq war. Even supposing that the Shah were still secure on his throne Kuwaitis had every reason to put their money where it would take advantage of high Western interest rates. The political troubles in the Gulf are merely an added, but not a decisive, incentive.

Similarly, it is difficult to calculate the impact of the war on other aspects of Kuwait's economy. In the days after the Iraqis crossed the border into Iran the stock market came to a complete standstill. There was a significant drop in car purchases in the fourth quarter of the year. The Haj trade from Iran and Iraq stopped. Ships carrying goods to the northern Iranian ports could no longer enter the war zone though there has been a significant growth in the transit, though not re-export, trade to Iraq.

But in the long term many Kuwaiti merchants see Iraq as being the market of the future. Rich though their own country is, opportunities are limited by the small population. The 13m Iraqis just across the northern border provide a large market despite the difficulties of dealing with the Iraqi state-owned companies. Transit trade to Iraq from Kuwait ports has already built up to 9,000 tons a day since the war started. Local transport companies have been quick to take advantage of this.

In theory, Kuwait should be able to act as an entrepot for Iraq. Long before the war the southern Iraqi ports had become congested. The road from Kuwait to Baghdad is a much shorter journey than overland from Aqaba or Turkey's ports. Businesses in Kuwait which got used to an ever-expanding market for their goods in the mid-1970s are looking for new customers.

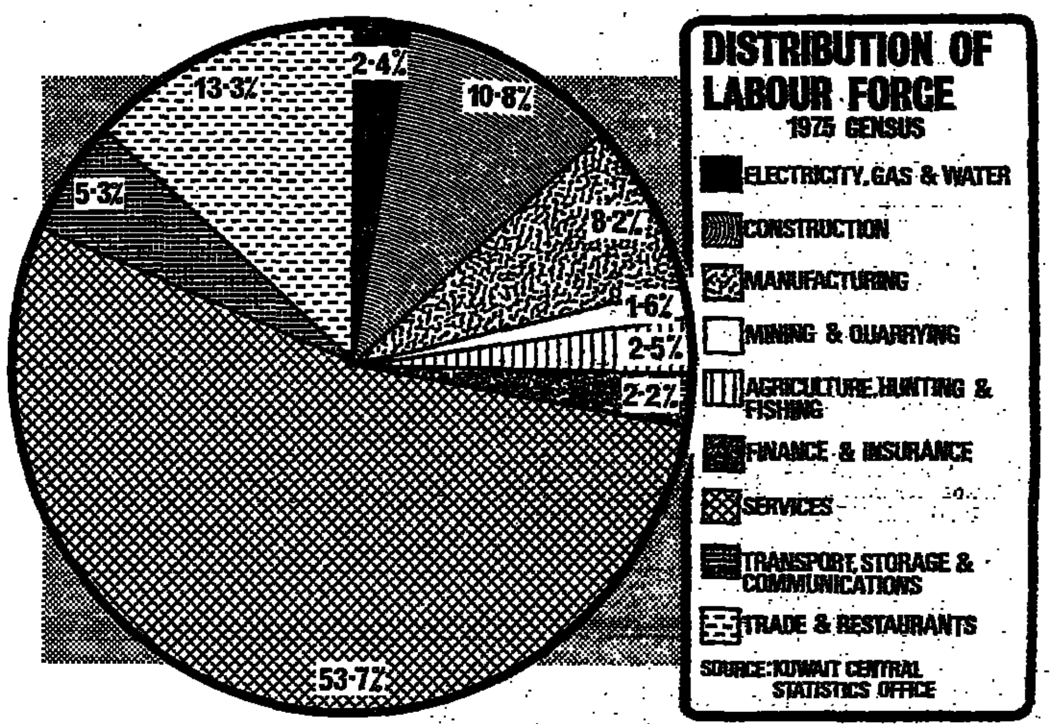
They may find, however, that the profit margins to which they became used in Kuwait will look too large to the Iraqis. Kuwaiti companies will face intense competition to which many of them are not accustomed. This weakness among local businesses is already showing up in Kuwait itself. Over the past three years the battle has been increasingly for market share. This requires better-organised inventories, sales, more expert staff and consequently higher overheads than has been the custom.

The same intensity of competition is seen in internatinoal bidding for major construction contracts. JGC Corporation of Japan won the $500-700m contract for the modernisation of Mina al Ahmadi refinery last year, but the South Koreans have been spectacularly successful through very low bids.

This is frustrating for major construction companies looking for work in the Gulf. Given the recession in Western Europe and the U.S. they are prepared to accept very low profit margins. A small upsurge is expected in contracts awarded over the next year or two but in general this sedate pace of development is probably well suited to Kuwait.

The most significant new development in the economy as a whole is creation of the Kuwait Petroleum Corporation as an integrated organisation. With refineries, downstream operations, overseas exploration and investment and shipping, it will be the closest any OPEC state has got to producing a company which will be akin to the major oil companies of the West.

In other economic sectors Kuwait is confined by the size of the country's population and a desire to move cautiously. Iran's revolution and the Iran-Iraq war have reinforced this conservatism, which has already paid dividends over the past decade.



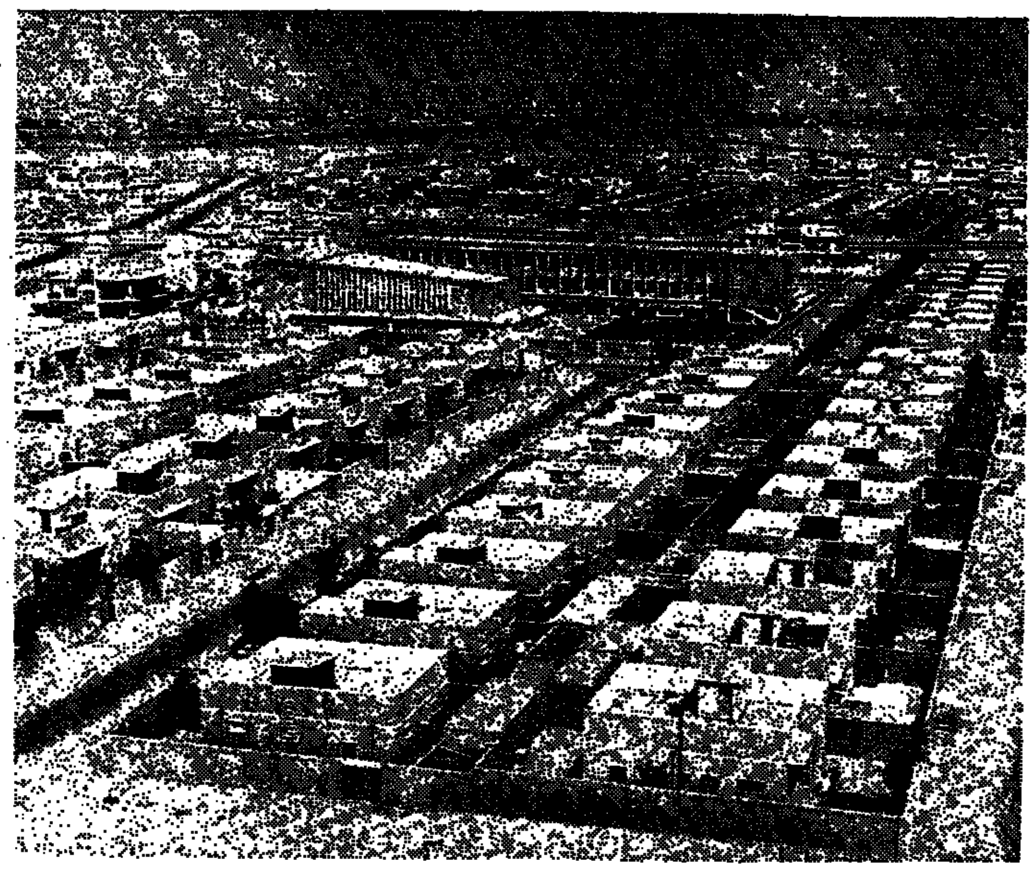
The large number of foreign workers in the country has resulted in the private sector being more than three-quarters staffed by non-Kuwaitis. A variety of efforts are being made to lure Kuwaitis from Government employment into the private sector, even if they stay only temporarily

GROSS DOMESTIC PRODUCT OF KUWAIT—1979*

	$m	% of total
Oil production and refining	16,791	72.6
Community and social service	2,001	8.7
Wholesale and retail trade	1,352	5.8
Real estate and business services	698	3.0
Construction	652	2.8
Non-oil related industries	586	2.5
Financial institutions and insurance	538	2.3
Transport and communications	375	1.6
Electricity, gas and water	90	0.4
Agriculture, forestry and fishing	52	0.2
	23,134	100.0

*Provisional
Source: Financial Times

Race against time to provide for population



Workers' houses in Kuwait City: the population is increasing steadily

IN THE middle of downtown Kuwait City a tiny whitewashed old building stands dwarfed by the neighbouring skyscraper blocks. It is the old municipal building. Today it houses an exhibition celebrating the 50th anniversary of the municipality and is displays are devoted to the city's past and its future. Here the early development budgets are displayed, written in spidery Arabic script, the first construction tenders and the tentative attempts towards a business code. Just 40 years ago the municipality's budget was the princely sum of KD 2,000 ($7,340).

In the section devoted to Kuwait's future the floors are covered with consultants' models and drawings, all showing the elevated highways, air-conditioned subways, libraries, theatres, the endless housing estates and the public buildings. It all looks a little unbelievable until you are told that such and such a project has already gone out to tender, is in the final study stage or already under construction.

That is how fast things happen in Kuwait—necessarily, because each year the city adds another 6 per cent to its total population. Back in the 1950s, when the city was still locked inside its walls, it had a population of 75,000—which still made it the largest city in the Gulf. In another 20 years it is expected to contain 2.7m people. With such a race against time, master plans cannot afford to remain for long in consultants' glossy brochures.

The Electricity and Water Ministry works by a general rule of the thumb, for example, that its capacity has to be doubled every five years. The National Housing Authority, whose job it is to build houses for Kuwait nationals, is still busy copy with 1975's demand.

This growing population has to be housed, served with public utilities and transported. Traffic alone is a major headache, particularly since Kuwait has one of the highest car ratios per 1,000 people in the world. As the city sprawls further and further, some 200 km of new roads and motorways are having to be built just to ensure access for the growing number of commuters. It is hoped that many of these commuters will be encouraged by the proposed mass transportation centre to leave their cars there and change to public transport. The Kuwait Transport Company is presently in the throes of tripling its fleet and aims to have a two-tiered bus system, similar to the Red Arrow and double decker buses for the inner city. Air-conditioned double deckers have actually been ordered.

It is a little more difficult, however, for the Kuwait city authorities to ask motorists to leave their cars in designated areas, for summer temperatures preclude anything but very short walks. Some five major multi-storey car parks are therefore under construction, with five more being designed.

The Kuwaiti motorist is going to face a plethora of parking regulations in future of the kind that Western metropolitan motorists have had to learn to live with, but are almost completely unknown in the Arab world. The Kuwait authorities are even said to be studying the possibilities of introducing meter maids in the city.

Like any other city bulging at the seams, Kuwait has had to plan a series of new towns, self-sufficient communities with their own employment base and facilities. The two major towns on the drawing boards at the moment are Subiya and Khairan. Research is still going on, in conjunction with the World Bank, in an effort to find an employment base for the new towns.

The Government will attempt to lure the private sector to these remote areas by cheap loans, land and public utilities and hope that new businesses will follow in the wake of Government expenditure. "The private sector usually goes where the money goes; and if we come up with the population, they will follow too," said a planning official.

DEVELOPMENT

KATHLEEN EVANS

Meanwhile, a number of satellite towns are already on the drawing boards or going out to tender. These new developments are going to involve enormous expenditure—Fintas, for example, is projected to cost KD 425m just to create the State housing and community structures. The new towns give the urban planners an exciting opportunity to construct the ultimate in town design. "We are trying to get away from ad hoc development," said one of the municipality's chief advisers. "We are trying to design the towns as complete, integrated communities." As such they will contain not only the usual shopping areas, residential sections, but parks, play areas, public libaries, theatres and schools.

The accent on leisure dominates Kuwait City's most glamorous project to date—the waterfront. Some 20 km are to be restored and new beaches and play areas created. Among the projects earmarked for the corniche, is an artificial island, a marina, a yachting club, a dhow museum and a dolphinarium. The municipality expects that costs could go as high as KD 200m over a seven-year development period.

Glamour projects or new towns, neither State nor private developer can move until their plans are assured to be preceded by public utilities such as electricity and water. The Ministry has a hard enough job keeping up with the annual population growth, let alone the lavish consumption habits of Kuwaiti residents. In this respect the Electricity Ministry is somewhat handicapped by the cheap electricity prices in Kuwait. Residents only pay 2 fils a unit, whereas the cost of production is 34 fils, says officials. It is not surprising therefore that demand increases annually by nearly 25 per cent.

The cheap energy habit is one many Gulf Governments have attempted to alter, but the issue has its political overtones in the oil States. One decision that was taken this year was to start charging the Electricity Ministry world market prices for the local energy it receives in its power plants. This subsidy on fuel amounts to KD 300m a year, and will continue to go up with each OPEC rise, but so far none of these increased costs has been passed over to the consumer.

One particular formula which was promoted by the Ministry to the Council of Ministers was to allow the cheap rates to apply up to a certain amount of consumption, and thereafter charge 50 per cent of cost above that level. No decision has been forthcoming from the Government.

Meanwhile, in order to bring down electricity demand, the Ministry is working with the Kuwait Institute for Scientific Research to draw up a building code to enforce more energy-conscious designs in new constructions. This move is coupled with a public awareness campaign to encourage users to turn off lights and air-conditioners when not needed.

Future growth patterns have in fact been plotted by the Ministry on the assumption of a cutback in demand by individual users. Before these measures, consumption by 1982 was expected to be 3,150MW at its maximum peak load. Based on lower growth figures, however, this is expected to be no more than 2,895MW. Similarly, peak demand projections by 1986 have now been cut back from 5,100MW to 4,435MW.

Total peak demand now is around 2,100MW and capacity is 2,[illegible]MW. Last summer saw a fire at the Shuaiba power plant which knocked out about one-third of supply, causing considerable load shedding during the peak summer period. The 2,400MW Doha West power station is not due to come into operation until the end of this year, though by the coming summer demand is expected to have gone up to 2,200MW or 2,300MW. The reserve capacity, normally 20 per cent, is expected to be less this year, so unless the energy-awareness campaign proves effective, the demand curve could come uncomfortably close to supply.

The Doha West power station should take care of needs until 1985, and meanwhile plans are going ahead for the massive Az Zour station. Within the next two months tenders are going out to five international consultants for the construction of a station which will provide 2,400MW in the first stage and a further 1,800MW in the second phase of development.

Coincidental to these electricity expansion programmes, the associated desalination plants at the two new power stations are expected to add 96m gallons each daily to the water supply. Storage capacity is also going up from 250m gallons to 700m gallons by next July so as to ensure 21 days supply in reserve. Distribution is still a problem, for still 20 per cent of Kuwait and its new suburbs are supplied by lorry each day.

In the long term, the Kuwaitis are still considering Shatt al Arab water as an option. In 1979 Kuwait and Iraq signed an agreement to allow Kuwait to take 200m gallons of potable water and 100m gallons daily of water suitable for agricultural purposes from the rivers of southern Iraq. Consultants were actually invited to study the project in detail but the Iran/Iraq war has put plans in abeyance.

The water from Iraq would be designed, however, to supplement rather than substitute for desalinated water. "We are not taking it into account when planning our future requirements," said one official. The project, which eventually may involve an exchange of electricity, would take at least six years to build anyway.

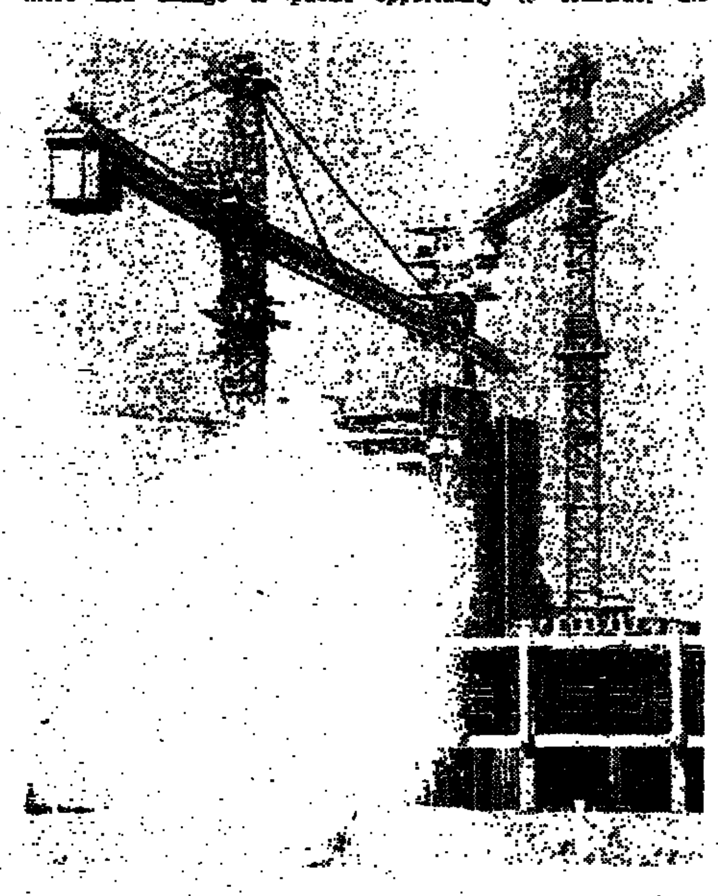
One of the government departments which generates large numbers of new users is the National Housing Authority, which since its inception in the early 1970s has built accommodation for 200,000 people. Originally established to create housing for limited-income-group families (LIG), the Authority's programme was later expanded to include the bedu population and average-income families (AIG), mainly government civil servants of senior grades. The bedu population was at the time living in sprawling shanty towns dotted around the city, which were proving an embarrassing eyesore to the authorities.

Within a remarkably short time the Authority has already distributed some 7,000 rural housing units and will receive another 4,500 more this year. A further 25,000 LIG units have been built and 3,300 houses for the higher-income bracket. The expansion of the programme's ambitions has, however, put the schedule back some six to eight years, and some 11,000 more LIG houses and 4,000 AIG units are still needed. Meanwhile the waiting list of applicants swells each month.

The crash nature of the programme has had its effects on the end result, and the mistakes which have been observed are incorporated into the new housing projects. The need to build cheaply and quickly has left many of the housing estates with an air of bleak uniformity, and incoming tenants have made desperate attempts to differentiate their own houses from their neighbours.

Ibrahim Shaheen, the U.S.-trained Kuwaiti who is the NHA's director remarked: "We know there is a stigma about State housing in people's minds, and we are trying to avoid similarity by varying the designs. In the past we attempted to make each house different inside, but we realised that it was the outside appearance which counted more. Suddenly the Kuwaitis are concerned about keeping up with the Joneses."

In future AIG families will be offered the choice of centrally located apartments in community complexes or the option of driving half an hour out of town to a villa. The Sawaber apartment complex, for example, will consist of 1,000 apartments, as well as schools, family clubs and playrooms in each building. Only two flats will be built on each floor so as to ensure greater privacy. "Such concepts would be simply unacceptable to the private sector," said Mr. Shaheen. One of the most promising projects is the Ardiya AIG housing project, a smallish cluster of houses all with spacious rooms and imaginatively designed layout and windows. Given a few trees it will be instant suburbia.



Construction continues apace as the city sprawls further and further from the centre. As a result, Kuwait has had to plan self-sufficient new towns

Careful ruler watches the West

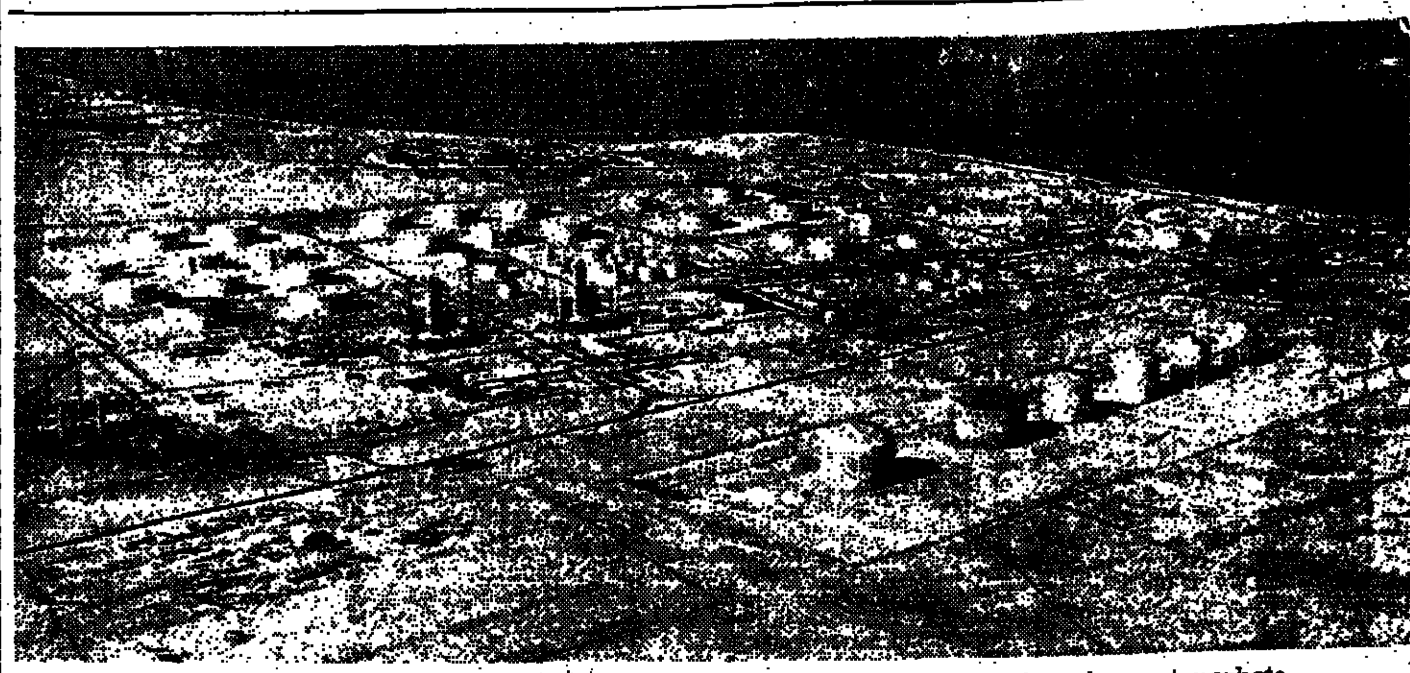
Sheikh Jaber al-Ahmed al-Sabah, the Emir of Kuwait since 1977, has been extremely influential for more than 20 years in the creation of modern Kuwait. A pleasant and intelligent man born in 1926, he was an assertive Finance Minister from 1959 to 1965 when he became Prime Minister.

He has always been keen to maintain Kuwait's central position in Middle East affairs, using his keen sense of political balance to assert Kuwait's independence and increase its influence. He also has always been a keen supporter of the Palestinian cause and more careful to distance Kuwait from the West than Saudi Arabia.

KUWAIT OIL PRICE MOVEMENTS $

	1978 Dec.	1979 Jan. 1	1979 Feb. 20	1979 Apr. 1	1979 May 15	1979 July 1	1979 Oct. 1	1979 Nov. 1	1980 Jan. 1	1980 May 1	1980 July 1	1981 Jan. 1
Kuwait (31° API)	12.22	12.83	14.03	15.80	16.40	19.49	21.43	25.50	27.50	29.50	31.50	35.50
Hout (35° API) ...	12.69	13.329	14.529	16.335	16.935	19.994	21.934	26.004	28.004	30.004	32.004	36.004
Khafji (28° API)...	12.03	12.527	13.727	15.460	16.060	19.192	21.132	25.202	27.202	29.202	31.202	35.202

Source: Middle East Economic Survey.



A refinery and LPG tanks where the gas is liquefied and stored for domestic and export markets

Reconstruction may set example for OPEC

OIL

PATRICK COCKBURN

KUWAIT HAS occupied a crucial position in the Organisation of Petroleum Exporting Countries (OPEC) over the past two years. As prices have soared during the Iranian revolution it has been a moderating and conciliatory force between, on the one hand, Saudi Arabia, with its massive production and intention to keep prices low, and on the other the militants from Iran, Libya and Algeria. This strategic position has given Kuwait far more weight in OPEC than its 6 per cent of the organisation's total exports would theoretically allow it.

Yet Kuwait has never been a true moderate in pricing though it has seldom fitted the cartoon image of an OPEC hawk. Its heavy crude currently sells at $35.50 a barrel, within the range of prices agreed at the OPEC meeting in Bali last December.

But most of its crude is sold with a $5.50 a barrel premium on top of the official price. This makes it one of the more expensive crudes in the world for what the customer is getting. Even the new Iranian contracts for nine months have a premium of only $1.80, and that only for the first quarter of 1980.

Many of these premium contracts are now coming up for renegotiation, with customers complaining at the amount they have to pay. But despite some softening in the world oil market, the betting still is that they will go on paying the premium at the previous high rate.

Another indication of Kuwait's desire to maximise profits per barrel from its oil is its reaction to the decision at Bali to keep prices between $32 and $36 a barrel for the Gulf producers.

Initially, Sheikh Ali Khalifah al-Sabah, Kuwait's Oil Minister, said that he expected most producers to stick to $35, the dollar extra being included in the final agreement only on Iran's insistence. Within a month, however, Kuwait, along with Iraq and Qatar, increased its price by the largest amount possible. Sheikh Ali Khalifah explains that he felt that the price difference between North Africa and Gulf crudes had grown too large.

In OPEC, as in Middle East politics as a whole, Kuwait has become adept over the years at having a large number of friends and few enemies. This requires a careful sense of balance. Sheikh Ali Khalifah has also acquired a personal authority within OPEC second only to that of Sheikh Yamani of Saudi Arabia.

This influence has not been diminished by the decision to cut back production from 2.2m b/d in 1979, itself a small increase to take account of the increase for Kuwaiti crude when the revolution in Iran was at its height, to 1.5m b/d. The cut back was in line with Kuwait's desire to maintain its oil reserves at a very high level. Oil production peaked at 3.3m b/d in 1972. With the reserves put at 71.2bn barrels, there is no danger of Kuwait running out of oil for a very long time indeed.

The whole of this 25 per cent cutback implemented from April 1 was absorbed by three major companies. The contract volumes had previously been Gulf Oil (500,000 b/d); BP (450,000 b/d); and Shell (360,000 b/d).

These were slashed to a collective tune of 835,000b/d. This was part of the Kuwaiti policy of ensuring that it sells direct to each customer rather than allowing third party resales as previously practised by Gulf and BP.

The new contracts have tougher contract provisions. Both BP and Shell received 75,000 b/d at the basic contract price and another 100,000 b/d at a premium of $5.50 a barrel. Gulf Oil baulked at this and took no supplementary amount, thus reducing its contract volume by a massive 85 per cent. When the Iran-Iraq war broke out Shell came back for some more premium crude.

With the volume going to the majors reduced, the Japanese companies have been eager to sign contracts, though disturbed by the premium. They are currently lifting some 280,000 b/d, with Idemitsu, an old customer of Kuwait, taking 110,000 b/d. Other major purchasers include South Korea and Taiwan.

In dealing with oil purchasers Sheikh Ali Khalifah's attitude is that "if the market justifies a premium of anything from a cent to $100 we will charge it." He does not expect, however, that even the return of Iran and Iraq to the international oil market as major exporters will make an enormous difference to the price.

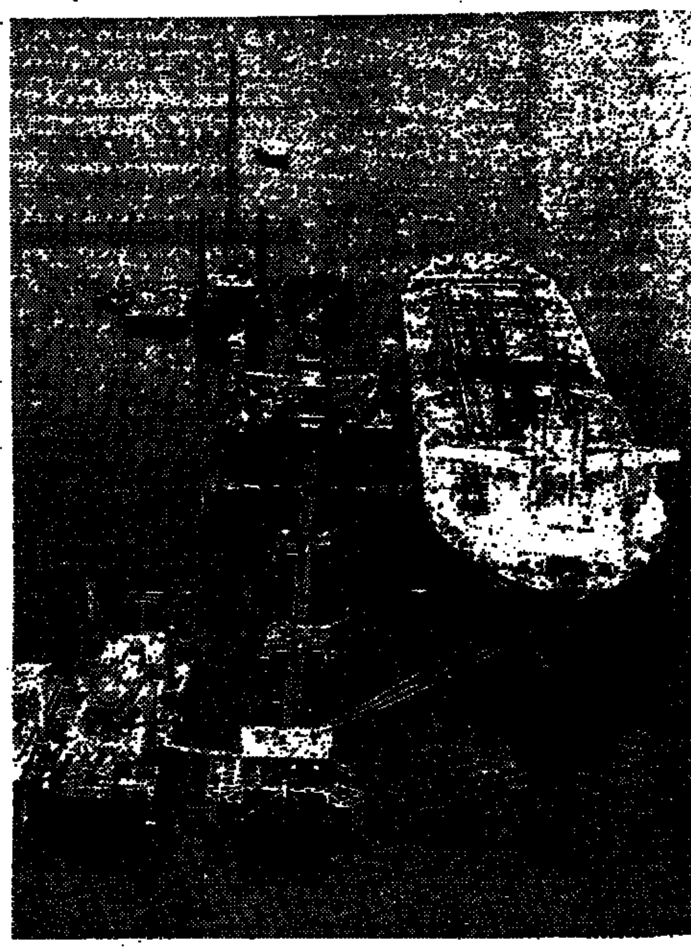
Saudi Arabia will not maintain its production at 10.3m b/d forever. Even if the war between Kuwait's two neighbours does end its customers will always be aware that a new flare-up could rapidly cut off supplies.

At the same time as Kuwait's contracts with oil purchasers were being drastically changed, the administrative organisation of the country's oil industry as a whole was reorganised. The Kuwait Petroleum Corporation (KPC) now operates as wholly-owned subsidiaries the Kuwait Oil Company (KOC—oil and gas production), Kuwait National Petroleum Company (KNPC—refining, local product distribution, liquefied petroleum gas manufacturing), Kuwait Oil Tankers Company (KOTC—crude and product shipping) and the Petrochemicals Industries Company (PIC—petrochemicals manufacturing) and 70 per cent of the Kuwait International Petroleum Investments Company.

This re-organisation should eliminate overlapping functions. For instance KNPC will now control the Mina al Ahmadi refinery, along with two other refineries, instead of KOC. Marketing of both crude and product is now concentrated in the marketing section of KNPC. "What we have done in the past year has been tremendous," says Sheikh Ali Khalifah. Over the next five years KPC will be spending $5bn at home on investment in the oil sector and a similar amount overseas.

One of the first steps for KPC is to push ahead with expansion of the refinery sector to meet domestic and external demand. Of the three refineries now operating, only Shuaiba (200,000 b/d) is of modern design. The main contract for the $500m-$700m Mina al Ahmadi refinery modernisation was awarded last year to Japan's JGC Corporation. When completed in 1983 the new refinery will have a capacity of 250,000 b/d.

The modernisation and expansion of the other refinery at Mina Abdullah will be even more expensive at $1.5bn and is expected to go for tender very soon. Together the two refineries will increase Kuwait's refinery capacity to 700,000 b/d, or almost half its crude production.



A tanker berths at Kuwait Oil Company's sea island 10 miles offshore. To meet the oil industry's demand Kuwait's tanker fleet is expanding rapidly with a target of 27 vessels by 1982

General design is also being completed for an aromatics and olefins plant and construction companies will probably start prequalifying for detailed design and construction next April.

To meet the demands of the oil industry the Kuwait Oil Tanker Company (KOTC) is being rapidly expanded with some 30-40 per cent of Kuwait's crude being carried in KOTC vessels. The company already has 15 tankers with six product tankers on order from Taiwan to meet the needs of the expanded refinery sector. By 1982 KPC should have 27 tankers. A further two 290,000 tonne tankers were ordered from IHI of Japan last year.

In another move relating to KOTC the Government has gladdened the hearts of Kuwait's investors by buying up the 51 per cent of the company's shares in private hands at a handsome profit for those who had invested in the company.

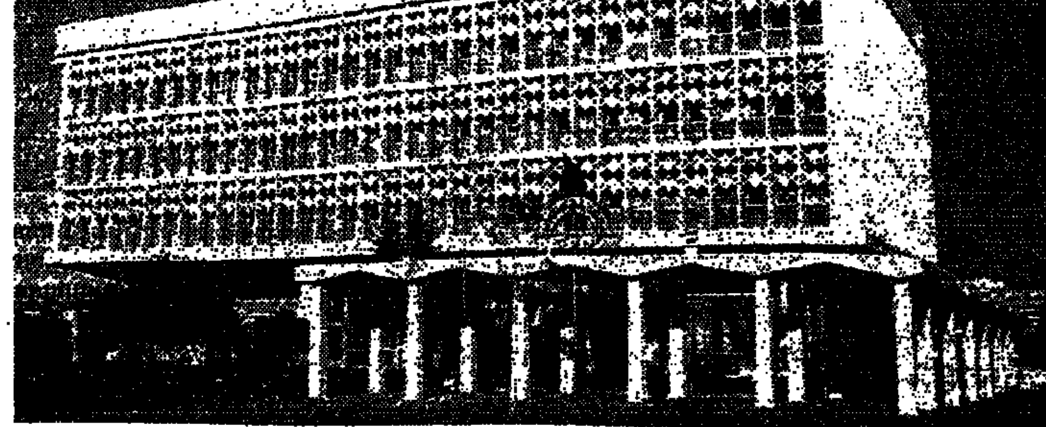
At home KOC is pursuing extensive exploration work, concentrating on deeper zones than the Greater Burgan field. The need for non-associated gas in Kuwait is much greater in the immediate future than for more crude.

The Permian Khuff strata at below 16,000 feet is the centre of interest. In the future non-associated gas could be brought to the recently opened Liquefied Petroleum Gas (LPG) plant which cost over $1bn. This is currently running at well below capacity because production of associated gas has diminished as crude oil production has been cut back.

At the same time as Kuwait's domestic oil industry is being expanded heavy investments will be made overseas. Plans have already been made for joint venture petrochemical projects in Bahrain, Tunisia and France. Overseas exploration will also be started, probably concentrating at first in the Indian Ocean.

To engage in international and petro-chemical operations outside Kuwait the Kuwait International Petroleum Investment Company has been set up with 30 per cent of its shares going to the public.

With the reconstruction of the refinery sector, the greater flexibility possible in crude sales policy and exploration plans at home and overseas, KPC looks increasingly like a multinational oil company. Other OPEC countries have often wanted such an organisation but none has been as successful as Kuwait and if its overseas ventures are successful its example is likely to be followed by other oil producers in the region.



The headquarters of the Kuwait National Petroleum Company, which now controls three refineries previously managed by the Kuwait Oil Company

Government puts curbs on international dinar

INTERNATIONAL FINANCE

DUNCAN CAMPBELL-SMITH

ANY KUWAITI bank which offered dinar credit internationally during 1980 ought by rights to have drawn a queue of borrowers stretching from its general manager's office halfway to the street.

Loans at a maximum cost of 10 per cent and bonds with rates around that level would have offered funds many percentage points cheaper than the international dollar market. The proceeds would have been freely convertible and ought to have caused no corporate treasurer much loss of sleep over his foreign exchange exposure until repayment date.

Happily for Kuwait's own investment portfolios, which would have been the main source of those funds for bond activities at least, when dollar borrowing rates shot far above 10 per cent the Government appreciated the vulnerability of the dinar before the corporate treasurers really had time to act.

A few alert borrowers (including the French and Norwegian Government) snatched up their chance via dinar bonds during 1979. But the Kuwait Government moved in November that year to suspend the issue of new bonds.

A moratorium was placed on the market which lasted until last summer. When it was lifted, strict central bank supervision remained to regulate the size and frequency of further issues. *One bond emerged, for the City of Oslo.* Others were contemplated but market conditions quickly made dinar bonds again unacceptable to investors and the issues were shelved.

A committee representing Kuwait's investment banks met with the central bank and reached an informal agreement to close down the market again. But what seems likely now to keep it closed—in the absence of major market changes—is not just the self-restraint of the bankers but also the marked reluctance of traders and investors throughout the region to *dabble again in a market with such a volatile past.*

A consequence, already apparent, will be a gradual shrinkage in the volume of Kuwaiti dinar bonds outstanding. Many issues in recent years—like that for the Bank Handlowy maturing this month—contained an option for investors to seek repayment after an initial maturity (commonly five years) or to extend their holdings at the same coupon. Overwhelmingly they are returning the bonds. Only the occasional roll-over operation to substitute new paper at a higher rate for exceptional borrowers seems likely to miti-market.

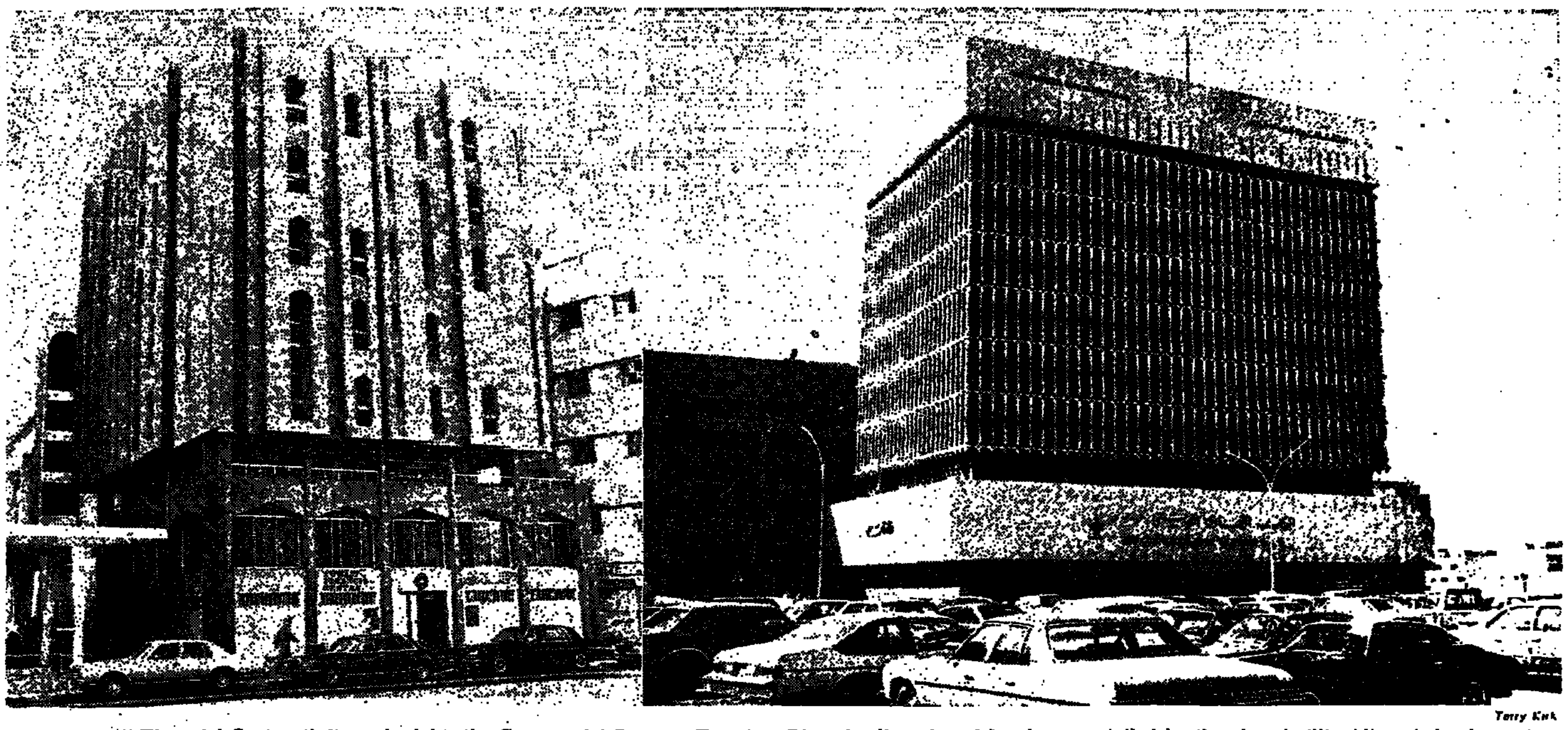
Meanwhile, dinar lending abroad by the banks has been *curtailed by the chronic* illiquidity of the domestic interbank market. In moving to help alleviate the domestic difficulties, moreover, the Government has taken every opportunity to deter the internationalisation of the dinar and has effectively stifled the KD interbank market in Bahrain.

Despite unnaturally low rates on the dinar, then, there have been no queues of *international* borrowers. There has been a limited use of the dinar outside Kuwait with banks like National Bank of Kuwait extending dinar credit to their customers elsewhere in the Gulf. But this is really quasi-domestic business. The dinar has been effectively divorced from Kuwait's international financial role.

That role is therefore now more clearly than at any point since 1974 identified with the recycling efforts of the Government, which are discussed elsewhere, and with the activities of Kuwait's investment banks in the markets of the usual major international currencies.

From their *physical* location these banks—notably the three Ks (Kuwait Investment Company, Kuwait Foreign Trading Contracting and Investment Company, Kuwait International Investment Company)—derive less of a head start in the markets than is sometimes supposed. They do not have unlimited access to petrodollars. Rather they have control of Government portfolios which receive additional funds only infrequently and rely far more on the reinvestment of earned income.

Certainly these portfolios, together with their own private shareholder bases and the investment accounts of wealthy individuals in Kuwait, make up *a useful placement power—but* no more so than accrues to medium-sized banks in many centres of the Eurodollar market. Where their operations call for additional funding, the Ks often resort, like other banks without a natural dollar base, to the interbank markets.



The Kuwait Financial Centre (left) and, right, the Commercial Bank of Kuwait. Dinar lending abroad has been curtailed by the chronic illiquidity of the domestic inter-bank market. Despite unnaturally low rates on the dinar, there have been no queues of international borrowers

Terry Kirk

On the other hand, the three Ks undeniably enjoy some key advantages which are not shared by equivalent institutions in Luxembourg or Lugano. The real measure of their progress to date is the extent to which they have been able to build on these advantages to overcome such obvious difficulties as inadequate staffing—and to emerge as bona fide investment houses rather than simply institutional investors.

First, they have a lucrative home base, deriving as much as 40 per cent of their annual profits last year from local property income and participation on their own account in the heavy turnover of the Kuwaiti stock exchange.

Equally important to their approach to the Eurobond and syndicated credit markets, though, are the incentives they can use to draw Western banks and borrowers into closer relations with them.

Kuwait Investment Company (KIC) and Kuwait Foreign Trading Contracting and Investment Company (KFTCIC) are 50 per cent and 82 per cent owned by the Government respectively, while the privately owned Kuwait International Investment Company (KIIC) has a very large private shareholding. This makes them the natural route to the corridors of financial power in Kuwait. Their management of international business is handled by relatively few individuals and many London bankers in a hurry feel more confident of rapid decisions from Kuwait than from most other financial centres.

In bond operations, where a small management group takes on the whole underwriting role and guarantees the borrower his money on Day 1, Kuwait's bankers can combine the above advantages and offer complete assurance that their financial *commitments will be met without* subsequent recourse to the secondary market—no small asset in today's conditions.

KIC has shrewdly exploited this strength and its new issues manager, Mr. Fahad Al-Rajan, is frank about the opportunities for 1981. "We hope to do more deals of this nature. There is no point in large underwriting groups where the managers of a bond issue can place it securely themselves."

KIC helped manage 34 international issues worth \$2.47bn last year, against 12 issues worth \$700m in 1979. Active overseas marketing over the last two years is now producing management positions for the bank with leading borrowers like the European Coal and Steel Community and Electricite de France.

It has been resourceful in developing business in a range of currencies besides the dollar and co-lead managed an innovative Y5bn Japanese convertible private placement in Kuwait last year.

Issues bearing a yen foreign exchange risk but denominated in dollars to avoid Japanese withholding taxes were also a new departure last year for KIIC, which arranged one convertible and one straight issue with the active support of the Ministry of Finance.

KIIC enjoyed progress similar to KIC's in 1980. It quadrupled its placement of Eurobonds in 1980 over 1979, according to Mr. Hikmat Nashashibi, its general manager, and its earnings from participation in 37 deals totalling \$2.4bn helped produce a 30 per cent return on the bank's equity—one of the highest achieved by any Arab financial institution.

Both KIC and KIIC have chosen to stay out of the international syndicated credit market, where current spreads would require them to employ assets far less profitably than in their other operations. KFTCIC has parted ways in this respect. More committed than the other two to non-Kuwaiti operations, KFTCIC has added syndicated credits to its bond and private placement activities in an effort to expand its international role.

Last month KFTCIC increased its capital from KD 50m to KD 70m via a pro rata distribution of new stock to the Government's 82 per cent shareholding and the remaining private shareholders. Total assets now exceed KD 300m and the bank is active on both sides of the interbank market.

Above all, though, it has perhaps the closest link with official funds beyond those within its own in-house portfolios and this should make possible further operations in 1981 like the huge *\$250m credit for the National* Bank of Yugoslavia which it arranged with restricted syndication last September.

It is fair to conclude from these various activities that the Ks have made much of their advantages and made a useful start. They are still in the minor league as far as the wider Euromarkets are concerned, but this could hardly be otherwise so long as the main petrodollar channels flow round about them rather than directly through them.

If this eventually changes, it will be one aspect of a general maturing of Arab financial institutions and will rely on the Ks retaining their place in the forefront of this latter, and more fundamental development.

KUWAIT VI

Commercial and banking complex in Kuwait City. An eager private sector has borrowed up to the hilt

Mixed views on curbs to improve liquidity

COMMERCIAL BANKING in Kuwait continues to be regarded by the Government as a fundamentally domestic system. But few things in Kuwait can be truly domestic. The banks are no exception and regulation by the Government has increased in 1980-81, to help deal with the ill-effects of their singular exposure to the international money markets.

This exposure concerns above all the disparity between Kuwaiti dinar (KD) lending rates, which are restricted to 10 per cent and less by law, and those applying to other major currencies—notably the dollar, where deposit rates have been several per cent higher for much of the past two years.

In these circumstances, the dinar has quite simply been "hot money" and the inevitable result has been a chronic drain on KD liquidity. A private sector eager to borrow up to the hilt has drawn the banks into making total advances of as much as 135 per cent of customers' deposits. This has landed the banks with a net foreign currency liability and dinar rates commonly at 14-15 per cent in their own interbank market (which is not regulated).

For most of the past two years, about one quarter of the outstanding credit facilities have belonged to the "Personal" category of the Central Bank's analysis of lending. These are largely overdrafts, which the government has identified as the main cause of over-lending by the banks and which it has determined to curtail through a "rationalisation of credit policy."

Early in 1980, the banks were instructed that a minimum of 45 per cent of their dinar lending had to consist of term loans. This figure is shortly to be lifted to 55 per cent, for

BANKING

DUNCAN CAMPBELL-SMITH

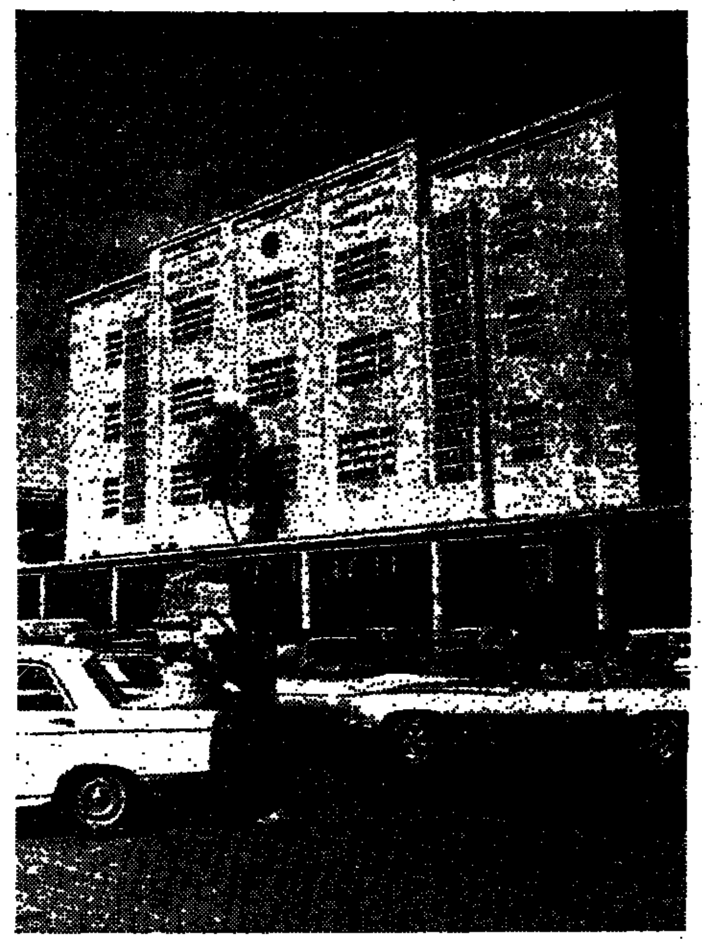
achievement by the end of the year. Bankers in Kuwait have very mixed views about the efficacy of this approach, but the hope is that within two or three years the Central Bank will at least have a more precise idea of where the money flows in what has become a very volatile system.

More immediately, the Central Bank's role is less preventive than remedial — helping the banks to overcome day-to-day liquidity problems. It aspires to a government securities market which could assist here and Treasury bills have been issued since April 1979. But they still carry unattractive interest rates and are really held by the banks only because they constitute reserve assets. (Reserve requirements in Kuwait vary from 5 per cent to 35 per cent, depending on the type of liabilities to which they relate).

The most important tools for monetary intervention are the Bank's discount window and its "swap facilities." In a swap, the Central Bank sells dinars to a commercial bank for dollars in a transaction which at the same time commits both parties to a future reversal of the contract. Exchange rates are agreed in such a way as to build in an effective borrowing cost for the commercial bank.

Two categories of swap facility have been available and both have offered funds at below market rates. They have been used with considerable success but were not without their problems in 1980. Cheap funds from the Government co-existing with high rates in the interbank market presented a temptation which some of the banks could not resist to take their own arbitrage profits.

Not surprisingly, this distressed the Kuwaiti Government and matters came to a head last autumn after a particularly difficult few weeks in the interbank market, which had seen KD rates quoted even



The Bank of Kuwait. Its immediate role is helping banks to overcome day-to-day liquidity problems

higher than Eurodollar rates for the same maturity. In a meeting with representatives from all the banks, the Central Bank warned them that swap arrangements would be withheld from those misusing them to take profits in the interbank market.

To the consternation of some of those attending this meeting, the authorities picked on the Kuwaiti banks' dealings with Bahrain's off-shore banking industry as the main source of offence in this respect.

Banks and brokers had already been asked in mid-September to curtail deposit business with Bahrain. In October, they were told that all future operations with Bahrain would have to be reported, with the obvious implication for each bank's access to swaps.

Dinar lending to Bahrain's offshore banks has, therefore, been discontinued and this has in turn had an adverse effect upon the access of the Kuwaiti banks to dollar lines in Bahrain, though not, according to local bankers, a serious one.

All the Kuwaiti banks must have dollar lines in Bahrain and in London to fund their dollar lending since they have no natural dollar base of their own, beyond the limited dollar deposits of customers in Kuwait.

Their involvement in international syndicated credit business during 1980 was undoubtedly curtailed by the low margins prevailing in the market. But they featured prominently in all-Arab syndications within the Gulf and National Bank of Kuwait—the largest in Kuwait, with assets at year end of \$6.7bn—lead-managed 15 international loans over the year worth a total of \$425m.

Another side-effect of the liquidity crisis of last autumn was to excite fresh speculation about the politically motivated exodus of funds. But this quickly appeared to be unfounded. One local banker, referring to the impact of the Gulf War, said: "The nervous money had already gone, people are less bothered about the ill-effects of the war than excited about the prospects of more business with Iraq."

Increased banking business with Iraq is already evident. Kuwaiti banks have been allowed by the Ministry of Finance in Baghdad to provide guarantees for contractors working in Iraq and could provide an increasingly important trade financing link between the Western banking system and Iraq's future needs.

This accords with the traditional emphasis of the Kuwaiti banks' domestic activities upon trade financing and the provision of loans and financial services to the construction sector and real estate—in addition, that is, to their basic retail operations.

Apart from the six commercial banks which all share this emphasis—National Bank of Kuwait, Al-Ahli Bank, Bank of Kuwait and the Middle East, Burgan Bank, Commercial Bank of Kuwait and Gulf Bank—there are a number of other institutions within the domestic financial community, like the Kuwait Real Estate Bank, which concentrate upon individual sectors. Two in particular have grown further in importance during 1980.

The Industrial Bank of Kuwait is part-owned by the Government and has a range of private sector institutional shareholders including the commercial banks. Loans from the Government at 2½ and 3 per cent—which now total KD 129m (\$477m)—subsidise the bank's lending operations to Kuwait's nascent manufacturing sector, which stood at the end of 1980 at KD 88.194m. But IBK now has total assets of KD 434m, reflecting a broad expansion into non-subsidised operations as well, including KD 68m of loans outside Kuwait altogether.

Finally, and closely integrated with the banking system, Kuwait has a number of thriving foreign exchange companies. The legal parameters of their business are ill-defined, which suits them perfectly and the more important of them stray far beyond simply broking operations.

Their size and importance is very easily underestimated. Jawad and Haidar Abulhassan is a family business. With 72 staff, it daily handles foreign exchange transactions worth \$20-\$25m, according to Mr. Kazem Abulhassan its managing director, and trades 15-20,000 ounces of gold and silver bullion. The company had a net worth of nearly \$120m at the end of 1980.

In addition to revenue from commissions, all of the brokers derive substantial income from real estate and equities held both in Kuwait and overseas. The commercial banks also draw an important part of their profits from investments of course—but while international dollar rates remain at their present level, the bankers might well envy the brokers their business away from the money markets and all the problems of regulated rates.

Dollar rates remain the strongest influence

IT IS INSTRUCTIVE to compare the progress of Kuwaiti share prices last year to the graph of American interest rates. The two patterns are almost the exact inverse of each other.

The inevitable conclusion from this is that whatever the impact of events, such as the outbreak of the Gulf war in September, the underlying factor influencing the market was the varying attraction of dollar rates.

High U.S. interest rates explain why, by it own remarkable standards, the Kuwait Stock Market had a fairly moderate year in 1980. Total turnover amounted to no more than KD 1.3bn (about £2bn), a 28 per cent drop on 1979 when the value of trading put Kuwait into ninth place among the world stock exchanges measured by value of equity turnover. The share price index at the end of 1980 was a bare 0.6 per cent higher than at the start of the year but this very small overall change masks a quite sharp fall in the first quarter followed by surge in May, June and July which just carried the market to a new all-time high.

This, in turn, was followed by a second more gradual decline which took the market 15 per cent down from the peak. The midsummer boom, when half the total turnover for the year took place in just eight weeks, may have been sparked off by the Government's bid for the outstanding shares in Kuwait Transport and United Arab Shipping which put around KD 40m into investors' pockets. The Gulf War inevitably put a damper on the market.

Kuwait investors have complete freedom to move their funds where they wish, of course, and, thanks to the practical effects of the Government's exchange rate policy, stand very little risk of currency losses against the dollar. Under the interest rate regime enforced by the Central Bank, which places limits on the rates charged to domestic borrowers, any Kuwaiti who can command the credit can borrow dinars at 10 per cent maximum and convert them to dollar deposits at the going rate either in the U.S. or indeed in Kuwait.

It is very striking how over the past couple of years by far the fastest-growing sector of the commercial banks' deposits have been domestic deposits in foreign currencies which have multiplied threefold since 1978 and in November 1980 constituted 10 per cent of the total liabilities of the banks. During the same period current accounts have grown only 17½ per cent and the low interest savings accounts have actually diminished in total.

It is noticeable, looking at the global statistics compiled by the Central Bank that, before summer 1978, KD deposits of the banks as a whole always exceeded domestic lending, providing a surplus which the commercial banks were able to deploy profitably on international money-markets. Since that time there has been a growing shortfall of KD deposits and the banks have been forced to reverse their strategy and have had recourse to the money markets and to international funds to supply domestic demand for credit.

In the last quarter of 1980 it was the overseas account, including domestic foreign currency deposits, that moved into a small surplus and provided a small subsidy to the domestic account. Under the particular conditions imposed in Kuwait, high interest rates are not automatically good for bank profits and tend to cause a domestic liquidity squeeze.

The banks themselves are both the major source of funds for share-dealing and also the dominant sector of the market, accounting in 1980 for 55 per cent of trading volume and 40 per cent of the total market capitalisation. Thus the effect of high international interest rates squeezed the stock market in two ways. It made credit both tight and more expensive and also affected the profitability of the most important and marketable group of shares. Except during the mid-summer boom, the bank shares were relatively sluggish all year and no other sector has the weight and power to carry the whole of the market on its back.

STOCK MARKET

BY A SPECIAL CORRESPONDENT

When the Kuwait market is dull it can be very dull. This is because all the important share traders are of the same kind and have the same motivation. They are a relatively small group of extremely wealthy individuals to whom dividends are all but irrelevant and whose only interest is in the sport of making capital gains.

When the market is rising strongly some of these big traders often play the role of unofficial jobbers, sitting in the market making prices to the brokers. When the market is weak no one is prepared to play the market-making role and business tends to dry up almost completely.

There is no weight of money, private or institutional, that is in the market seeking income. This is not to say that there are not investors interested in income. These typically are the long-term shareholders in some of the longer-established companies but they are not active traders simply because, if they sold their holdings, they could never obtain remotely the same returns on any re-investment.

The outstanding case is that of Kuwait Insurance, founded in 1960. A founding shareholder in that company subscribed KD 7½ for each of his original shares. Today he holds 110 shares of KD 1 which are currently valued in the market at over KD 3000, a capital gain of over 43,00 per cent and has received dividends over the years worth over five times his original outlay.

This is the exceptional case but there are at least a dozen companies which hae served their long-term holders well if not quite as well and these are shareholders in these companies would be lucky to be able to buy in at 1 per cent yield.

Kuwaiti investors tend to pay more attention to asset values than to earnings and it is usual to find the banks, for example, trading at about five to six times book value. By international standards this is extraordinarily high, particularly as takeovers have never been heard of in the Kuwait market.

More extraordinary still is the fact that newly-formed industrial companies, who have yet to establish their manufacturing operation and whose only assets may be the shareholders' subscriptions on deposit in the bank, may be traded at up to three or four times the value of those assets, though the more usual ratio is about 1.8 times assets in these cases. Kuwait is certainly a market where the value of a share is what someone else will pay for it — but then so is the London market in North Sea oil shares or the Australian market in mining companies.

The Kuwait market is also a fascinating case study of the evolution of a market to meet the need of subscribers to shares for marketability. It came into being spontaneously 28 years ago when the first public companies were floated and indeed has not yet been blessed by the Government with any official existence, though it is believed that legislation to establish the Stock Exchange on an official footing with its own governing body may be imminent.

As it stands at the moment it is a product of the energy and commercial enterprise of those who set themselves up as brokers. It may lack a certain sophistication but it is a thriving and exciting place. As traders, in this field, as in many others, the Kuwaitis have shown themselves second to none.

Not content with their own stock market, the Kuwaiti investors have over the last few years spawned about 30 offshore companies, nominally based in other Gulf states but whose shareholders are almost exclusively Kuwaiti. The authorities have tried to discourage this step and have placed a largely ineffectual ban on secondary market trading. Attempts are now being made to bring these companies within the official market but so far none has come forward to meet the conditions laid down last summer.

Meanwhile, there must be concern that some investors are facing heavy losses in the unofficial market, particularly on forward deals done for settlement 12 months ahead at a premium which is usually about 25 per cent of the spot price. The prices on the unofficial market have followed much the same pattern as those in the officially-quoted shares and forward positions entered into last year must almost certainly be showing losses.

A more important development than the admission of the Gulf companies is the projected change in the law recently announced to allow private or "closed" companies to convert to public status and obtain a listing. Hitherto, the law has had no mechanism to achieve this. When this is accomplished the list will be strengthened by at least a dozen or more companies which, unlike new public companies, will be able to come to the market with a substantial trading record behind them. This will add considerable depth to the market and will also encourage a more critical approach on the part of investors to the actual merits of the companies.

Taken together, these three developments — the formal establishment of the Stock Exchange, the admission of Gulf shares and the introduction of some of the companies at present closed to listing—could transform Kuwait's stock market.

Deluge of funds creates big task

IN MANAGING its huge petrodollar surpluses, the Kuwait Government perceives three main obligations. It must build a satisfactory future for the state's finances beyond the depletion of its oil reserves. It must contribute to the development of the Third World and particularly the non-oil producing countries of the Islamic world.

And, third, it must assist efforts to recycle oil revenues back into the Western economy, for the well-being of an international system to which it has fully subscribed.

It is probably fair to say that the first of these obligations has already developed well beyond the simple need to ensure future income. The classic dilemma of a society with fast-rising expectations hardly applies to Kuwait: income goes on rising even faster, with over two-thirds of the Gross Domestic Product derived from oil exports and reserves enough to last another century at the present rate.

Moreover, while revenues have burgeoned in recent years, the growth of government expenditure has been restrained—to perhaps 30 per cent in nominal terms in the last two fiscal years—both by the physical limits of development in a state as small as Kuwait and also by the Government's own desire to curb inflation and immigration.

The result: a surplus recently estimated to have stood at $48bn at the end of 1979, received a further $15bn in 1980—and earned on top of that $6bn from investment income.*

In these circumstances, ensuring an income for future decades poses little difficulty compared with the sheer problem of administering the deluge of funds and thinking of new ways to use them.

The size of the task is increased by the relatively small number of individuals responsible for it. At the Kuwaiti Ministry of Finance, for example, Mr. Bader Al Rushaid, the Director of Investments, heads a department with two dozen executive managers—hardly more than the regional office of a medium-sized New York securities firm.

This department, on the other hand, is only one of a number of institutions which together manage the surplus. Broadly, there are four channels through which it passes. The State General Reserve includes Mr. Al Rushaid's department and embraces a range of other investments, including assets of the Kuwait Central Bank and of the Kuwait Fund for Arab Economic Development as well as loans to international agencies like the World Bank and the IMF.

SURPLUS WEALTH

DUNCAN CAMPBELL-SMITH

Perhaps the General Reserve's most important constituent is the Reserve Fund for Future Generations, a unique institution among OPEC bodies in that it automatically receives 10 per cent of the state's oil revenues each year. Since it was also launched with an initial float of several billion dollars at the outset in 1976, this already represents a substantial retirement pension — its capital cannot be touched until the first year of the next century.

Second, there are the cash accounts of Kuwait's various state institutions, including most of those already named but also the formidable Public Institute for Social Security whose assets probably now exceed $2bn equivalent.

The Kuwait Investment Office (KIO) is Kuwait's principal investment arm outside the state, which means it handles a large part of perhaps $32bn—the present estimate of the portion of the surplus held outside Kuwait. From a discreet London building—shared by the U.K. Football League among others—it has built up over 20 years a giant portfolio of equi-

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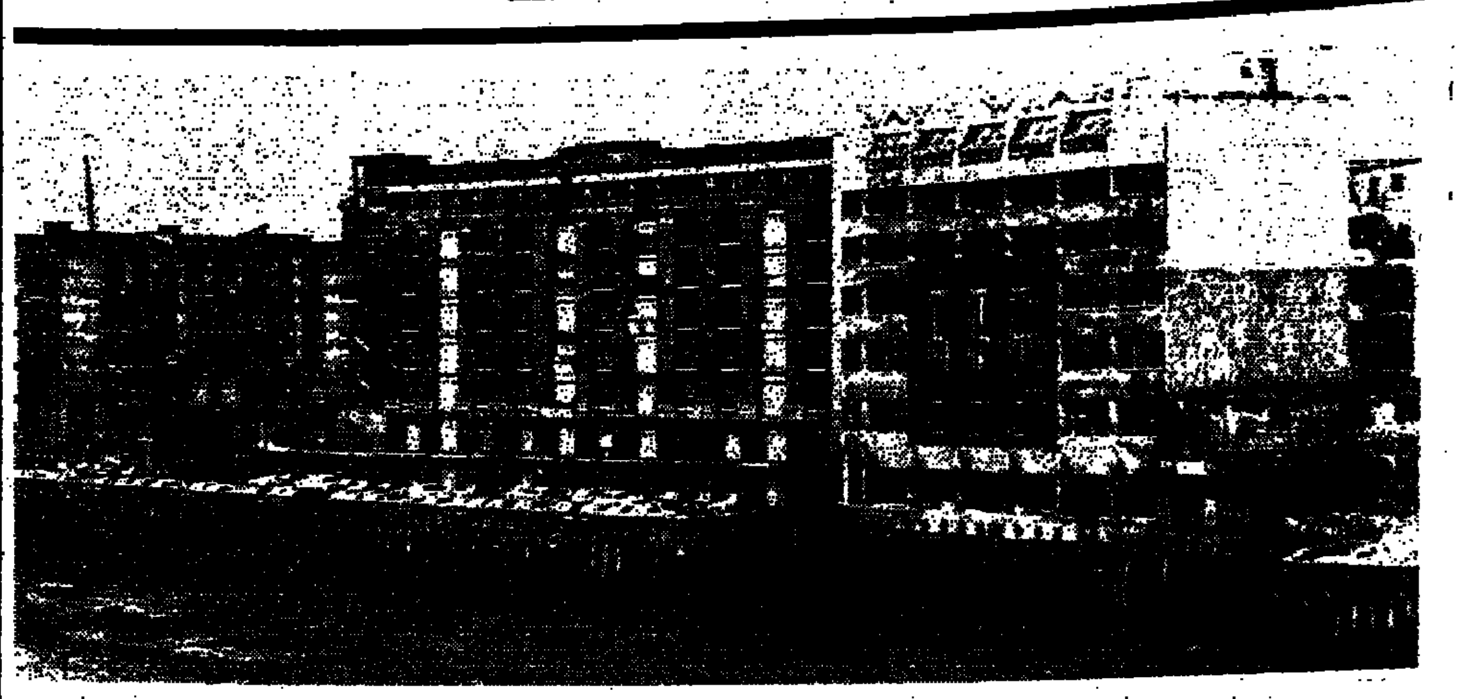


Acquisition of the Hay's Wharf group last year lifted Kuwait's investment in Britain to more than £275m

Direct investment strategy poses a dilemma

OVERSEAS ASSETS

DUNCAN CAMPBELL-SMITH

WHEN Mr. William Miller, the former U.S. Treasury Secretary, visited officials at Kuwait's Ministry of Finance last year, they had some harsh things to say to him about growing legal and fiscal impediments to major Kuwaiti investments in the U.S., particulary in property.

But the American party apparently offered little comfort in return—and left their hosts thinking harder than ever about the need to broaden the pattern of Kuwait's overseas investments. A greater regard for opportunities beyond the traditional markets of Western Europe and North America has been a notable feature of Kuwait's official investment strategy over the last year.

This strategy has long favoured more direct investment in foreign economies than is undertaken by any other OPEC state. A greater commitment to the less stable countries of the world therefore poses a dilemma for the Kuwaitis. It was highlighted last year by the unrest in South Korea, which came not long after Kuwait's purchase of 25 per cent of a major oil refinery in that country.

But so enormous is Kuwait's surplus wealth and so limited are the possibilities for domestic investment that the Government feels it has no choice. It has more experience and sophistication than most other Arab states in its management of foreign assets and has evolved firm ideas about the conservative and long-term projects which it thinks best suited to Kuwait's future.

These inevitably will continue heavily to feature major Western investments, such as the 10 per cent stake in West Germany's Metallgesellschaft which Kuwait added to its portfolio last year, for an estimated price of $65m. Kuwait remains the largest Middle East investor in the UK, now holding over 5 per cent of more than 35 British companies and its successful acquisition of the Hay's Wharf property and distribution group in 1980 lifted the total size of its investments in this country to more than £275m.

But at the same time natural resources and commodities will also be an increasingly important investment theme—and Kuwait now appears prepared to be led by it into investing in new regions where problems such as immature money markets and high inflation rates compound the more general worry over political stability.

Indeed, the association of natural resources with investment in new regions emerged more strongly in 1980 after the failure in the U.S. of one of Kuwait's biggest moves to date towards a larger energy portfolio: the rejection by the Paul Getty estate of an outright bid for 15 per cent of Getty Oil, for nearly $1bn.

Already, earlier in the year, Kuwait Petroleum Corporation had taken a 25 per cent interest in International Energy Development Corporation—other shareholders include Volvo of Sweden, Sulpetro of Canada and AZL Resources of the U.S.—and this company will invest in the development efforts of the poorer oil-importing countries.

Last year laid the basis of much closer relations between Kuwait and Brazil. Mr. Khalid Abu Sa'ud, the original architect of the Kuwaiti investment strategy and now the ruler's private adviser, spent several days in Brazil and came away impressed by what he had seen.

He was struck not least by the extraordinary commitment made to that country by the West Germans—and several weeks later came the announcement that Kuwait had bought a 10 per cent stake in VW Brazil. There remains the possibility that this will be increased through a sale of further shares by the West German Volkswagen parent.

Other developments away from the traditional Western markets in 1980 included joint projects in Pakistan and Malaysia, a huge equity injection and capital reoganisation for the Kenana Sugar Company in Sudan—the Kuwaiti Government owns just under 20 per cent — and broad plans for the investment of petrodollars in India, following a successful visit by Kuwait's ruler to Mrs Indira Gandhi last September.

Meanwhile, though, the principal citeria for Kuwaiti government investments remain that they should be conservative, long-term, dollar-denominated and as inconspicuous as possible. Not surprisingly, therefore, an estimated two-thirds of all official overseas assets are in the U.S.

There can be few if any of the top 500 U.S. companies which are not well represented in Kuwait's aggregate equities portfolio. American banks such as Morgan Guaranty (which disclosed $700m of discretionary funds more than two years ago) and Chase Manhattan manage huge Kuwaiti investments in the money and securities markets. Direct investment and real estate projects still find in the U.S.-Canada a high level of professionalism and more profitable returns than are generally available anywhere else.

The ruling family's fortune and the funds directly managed by the Kuwaiti Government, or one of the many arms of its Ministry of Finance, make up one of three broad categories of Kuwaiti investment overseas. But just below the government level is a second tier of institutional investors where public and private sector funds are not always easily distinguishable to the outsider.

This second category includes Kuwait's investment and commercial banks, its insurance and real estate companies and perhaps a dozen or more financial corporations which have developed substantially beyond being brass plate companies.

Their investments include a large exposure to equities, the international bond and government securities markets, far-ranging real estate operations (with a growing emphasis on the "sunshine belt" of American states) and a great patchwork of equity participations—Kuwait Foreign Trading, Contracting and Investment Company, for example, has more than 50—in foreign banks, trading enterprises and assorted commercial activities which make up a large part of the estimated $18bn-worth of private Kuwaiti wealth placed overseas.

In the third category of Kuwaiti investors are private individuals investing often substantial funds to diversify their company and family interest beyond Kuwait's domestic economy. Certainly the few dozen most important families in the state all have large nest eggs overseas. But the interest in foreign investment now pervades Kuwaiti society at levels far below the billionaire and millionaire groups.

This has been reflected several times in the past two years by the dramatic size of the subscriptions received — largely from Kuwait — for primary share issues in companies floated elsewhere in the Gulf.

When the problem threatened to become unmanageable in Bahrain, the island's Monetary Agency demanded that subscribers in future deposit 5 per cent of their subscription in cash — and promptly found itself landed with $350m of deposits for a 280 times over-subscribed share issue for Consolidated Gulf Services and Industries last December.

But private Kuwaiti money does not always surface in quite so brash a manner — rather the opposite. Western salesmen seeking heady commissions and an early retirement generally receive short shrift. Indeed, Kuwaitis have remained characteristically conservative over both their investments and their choice of advisers.

Sophisticated market instruments have appealed less to individuals than to the institutions — the more so as most equity and Eurobond markets have blotted their copybooks rather too conspicuously in recent years. Real estate, bullion and direct investments in private enterprise have probably remained the most attractive outlets.

It is hard to be categorical since the evidence is generally subject to the zealous discretion of those who have earned the confidence of Kuwaiti clients. This happy breed of bankers notably includes the Swiss, who were early on the scene in most Gulf states, the major U.S. banks, who have often been able to build upon trade and commercial financing business, and, finally, a variety of smaller merchant banking and advisory groups which commonly have taken the trouble to persevere with relations that yielded little profit in the early years.

The investment fashions prevailing among these advisers is probably as good a guide as any to the direction of Kuwaiti investments. The present liking for yen bonds and equities is no more confined to the Gulf than past interest in "new" currencies such as the Canadian dollar in the mid 1970s or in gold, silver and more exotic commodities at the end of the decade.

Some trends, though, are more readily associated with traditional Arab spending as, for example, with investments in trading partnerships or the boom in private property which swept from Beirut to Paris, through London in 1975-76 and on via New York to many cities of the American south and west.

Probably, these are the trends of most durable importance—and it is fitting that most lead ultimately to the U.S., which Kuwaiti individuals still see as the most durable marketplace for making new wealth, despite their government's occasional unease.

Deluge of funds creates big task

CONTINUED FROM PREVIOUS PAGE

ties and direct investments, particularly in Britain and the U.S.

The KIO has a high reputation in the City for its professionalism—though also for disquietingly stealthy operations which, assisted by its immunity as a sovereign investor from disclosure of holdings under 5 per cent, have only added to the mystery of its true prominence within particular sectors, notably property and insurance.

The remaining control of its surplus Kuwait has seconded to a long list of banks and money managers, some part-owned by the government, such as KIC and KFTCIC within the state, and others in the private sector, like major New York banks handling the funds on a normal discretionary basis.

It is notable that the choice of these banks remains highly conservative and has been little influenced by any ulterior motives concerned with encouraging the growth of Arab banks, welcome as this development will be.

Certainly the Arab bankers themselves aspire to a far more prominent role and there is little doubt that Gulf International Bank and the Arab Banking Corporation, for example, have benefited to some degree from deposit business with Kuwait and other OPEC states. But these governments have publicly asserted their determination that Arab banks like any other must earn the business on their professional merits.

Its obligation to assist the Third World is one that Kuwait takes seriously and, like other OPEC states, it has reacted indignantly in recent months to charges of neglect. These stem primarily from two observations. First, the portion of its GNP which Kuwait has assigned to Third World aid has not kept abreast of oil price increases, declining from 10.61 per cent in 1977 to 5.14 per cent in 1979, the latest available figure.

More seriously, it has shared OPEC's general preference for ad hoc contributions to the Third World at the expense of some more systematic aid mechanism — like a much boosted OPEC Fund, for example—to protect poor countries from the impact of frequent oil price increases on their dilapidated balance of payments positions.

Against this must be set the progress of the Kuwait Fund for Arab Economic Development, whose activities are not restricted to the Arab World though it attracts about 60 per cent of its new loans. Asian and African countries draw about 30 per cent and 10 per cent respectively.

The Fund's reserves continue to grow at more than $100m per year and its activities include loans at ½-4½ per cent interest rates—undertaken both unilaterally and in co-financing arrangements with other aid funds—as well as direct grants and equity investments.

One of their objections to a drastic increase in aid programmes is that the Kuwaitis, like other major oil producers, do not accept that a greater burden of the recycling role ought to be shouldered directly by them, to the ultimate detriment quite possibly of their own wealthy but still narrowly-based economy.

But Kuwait accepts the need to explore new recycling methods. The last year has seen increased efforts to integrate the management of the surplus with the recycling function of international agencies such as the IMF, which can channel the funds to poor countries while divorcing Kuwait from the implicit credit risk.

On March 31, the IMF must decide the vexed issue of whether or not to admit the Palestine Liberation Front as an observer at future meetings. The Kuwaitis require a solution satisfactory to them if they are to lend to the IMF this year a significant contribution to the SDR 6-7bn ($7.5-8.7bn) which the Fund intends to borrow in 1980.

But Mr. Jacques de Larosiere, the IMF's managing director, has had a number of meetings with Kuwaiti officials in recent months and an agreement, in principle anyway, appears to have been reached for closer cooperation.

* "*Arab Investors—Who They Are, What They Buy, And Where*" (*Chase World Information Corporation*).

Fight among merchants for market share

BY THE LATE 1970s Kuwait had satisfied many of its requirements for major infrastructural projects and capital goods. The market for consumer goods is clearly rich but limited by the small population. Contracts are now being signed for an increasing number of projects, interrupting a two-year hiatus, but among merchants the fight is increasingly for market share.

Consumer goods accounted for 42 per cent of all its imports in 1979, compared with 38 per cent two years before. Capital goods on the other hand have dropped from 29 per cent to 16 per cent during the same period. Intermediate goods, which cover the building materials industry, still absorbed 41 per cent of imports, which reflects the Government's continued high level of expenditure.

Exports are naturally dominated by the sales of crude oil refined products which in 1979 showed an 80 per cent rise. This was due not only to price increases, but rises in the actual volume of exports. Non-oil exports also went up by 30 per cent, which was due largely to Kuwait's role as a re-export centre, now badly hit by the Iran-Iraq war. Re-exports during 1979 went up by as much as 49 per cent.

IMPORTS-EXPORTS

KATHLEEN EVANS

Overall, the value of Kuwait's imports during 1979 was KD 1.44bn ($161m) compared with KD 1.26bn in 1978, and its balance of trade surplus more than doubled during the year, from KD 1.6bn to KD 3.6bn.

Japan continued to dominate the Kuwait import league, as it does in almost every state in the region. Its market share has shown a slight decline in the past few years from 20 to 18 per cent in 1979. The U.S., as usual in second position, accounted for 13 per cent of the market though value wise its exports went up by 25 per cent.

Britain managed to maintain its position as third-ranking supplier to Kuwait. South Korea's has slipped from fifth to eighth place, mainly because of the completion of many of the Korean-built projects, and the stipulation by Government departments to buy more of their requirements locally. Australia leapt from 15th position to tenth within two years.

Britain has made little impact on the construction sector. It has been a market that the UK contractors have long grumbled about, pointing to the dominance of the South Koreans' preference for the lower price and onerous contract conditions imposed by the Kuwaiti Government clients.

The grumbles still continue, and many contractors (not only the British) are forming the opinion that it is not possible to make even a reasonable bare-minimum level of profit on a Kuwaiti contract. "The last few major jobs done in Kuwait by Western contractors have been completed at a great loss to the contractor," said one industry source. "There are too many imponderables in Kuwait, too many things can go wrong."

One of the principal factors which any contractor has to take into account when taking on a job in Kuwait is the possible permissions which might be required from ministries or departments which may become involved with the work or can affect its progress.

For example, during the onset of the Gulf war, many contractors found it difficult to import labour owing to the implementation of new visa laws. Nevertheless, their Government clients held them accountable for any delay even if it was caused by another Government department.

Rarely will a Government client intercede on a contractor's behalf with another department. If, for example, a contractor's work requires some temporary road or pipeline diversions, then it will be left to them to secure the permission from the relevant authority. Unfortunately, such unforeseen delays which may be beyond the contractors' control are fully covered in the contract conditions. "They (the Kuwaitis) may boast that their conditions meet the FIDIC regulations, but you will often find a clause at the bottom which completely negates all that has gone before," one local engineer said.

Another characteristic of Kuwaitis' contract conditions is their preference to nominate the completion schedule in days rather than weeks or months, and often, companies say, the number of days is arbitrarily chosen, without due regard to how complicated a job may be.

Some contractors are still willing to take on the risks of bidding in Kuwait and indeed the tenders still manage to attract as many as 25 bids or more. But some companies have had their fingers burnt and will not be bidding again for work in Kuwait no matter how much they might need it. Even the Koreans, who appear to have set new records in completion and standards of contruction, are finding it rough going now, and a number of their projects are behind schedule.

This is in part due to their enormous success in the Middle East, and now, the Koreans are finding their management resources somewhat overstretched. Local consultants have complained increasingly that when they enter a Korean site nowadays the chief engineer does not even speak English or any other language other than Korean.

Some international contractors go as far as to say that within five years Kuwait will find itself with few reputable contractors willing to bid for their projects. For the ones willing to brave it out, the only way to possible success is a secure line of contact with the client. "That means an Arab Mr. Fix It. Someone who can deal with the client on a day-to-day basis without ruffling anyone's feathers." one resident engineer suggested.

"Quite often, the major problems the international contractors have with the clients are only because of their bad personal relationships with officials," suggested one resident engineer. And if anything does go wrong, the penalties can be heavy—up to £3,000 a day. "There has not been a record of understanding of contractors' problems, even if it is not their fault," he added.

British consultants have had a field day in Kuwait for many years now, but even this edge could come under challenge following the implementation of new rules from the municipality. According to the regulations now, consultants can bid on non-specialised work only in association with a local company.

Over the last few years, the local firms of consultants have gained considerable experience and expertise, as have the Kuwaiti contractors. More and more work can be expected to go their way in future, making Kuwait a less and less attractive market for the international contractor and consultant.

VALUE OF IMPORTS BY KUWAIT BY COUNTRY OF ORIGIN

('000s dinars)

	1975	1976	1977	1978	1979
United Kingdom	70,875	79,246	137,128	129,440	144,346
United States	124,923	142,408	189,147	166,979	207,690
Japan	112,355	201,423	275,239	246,566	262,374
France	22,886	50,644	42,215	46,775	48,306
West Germany	79,200	106,317	128,671	114,673	114,716
Italy	31,380	42,681	69,782	79,112	80,188
Total EEC	234,467	317,363	443,411	424,242	453,606
USSR	1,508	2,713	6,316	4,175	3,331
Total Eastern bloc	23,117	30,462	42,708	37,502	37,400
South Korea	8,979	28,667	83,130	36,890	47,168
India	15,401	37,960	53,301	42,890	47,098
Value of total Kuwait imports	693,150	971,993	1,387,035	1,265,182	1,437,025

Source: Central Bank of Kuwait

Little need for growth

KUWAIT HAS never regarded industrial development with the same enthusiasm as some other oil producers. It has no plans for iron and steel plants and there is no Kuwaiti counterpart to the industrial cities of Yanbu and Jubail in Saudi Arabia.

There is hardly any need to build up industry on which to rely when the oil runs out since, at present production levels, that will not happen until the end of the next century.

The most profitable area for expansion is downstream in the oil industry. The Petrochemical Industries Company (PIC), a subsidiary of the Kuwait Petroleum Corporation, is Kuwait's largest industry. It produces salt and chlorine but its main product is fertilisers, ammonia and urea, for markets in south Asia.

At PIC's Shuaiba plant plans are going ahead for a fourth ammonia line with a production capacity of 1,000 tons a day. When it is completed in 1983-84 by one of the nine international firms bidding for the contract, the first line probably will be phased out, leaving production of ammonia at 2,600 tons a day, most of which will be converted into urea.

Plans are also under way to move to the detailed design stage for an aromatics and olefins plant later this year. Overseas, PIC already has a 40 per cent interest in a fertiliser company in Turkey which has been a persistent money loser. A more ambitious project, a joint venture with Saudi Arabia and Bahrain to be called Gulf Petrochemicals, will invest $300m to produce methanol and ammonia from a plant in Bahrain.

Other joint ventures overseas include fertiliser plant in Tunisia. General agreement also has been reached with Chemie de France to build a plant at Toulouse to manufacture urea and fertilisers, possibly using raw materials from Bahrain.

Some of the experience gained by PIC is being passed to the private-sector Kuwait Chemical Industries Company (KCIC), which plans to manufacture resins, polyesters and raw materials for the local glass and paint industry from 1982.

Development of local industry is constrained by high costs but there are areas where expansion could be possible. These include, according to a recent study carried out by the Kuwait Institute for Scientific Research: petrochemicals, building materials, drugs, tyres, food utensils, vitreous plumbing fixtures and synthetic rubber.

The largest single joint venture in the private sector is between Saudi and Kuwaiti companies to produce 1m tyres a year by the end of 1982 from a $147m plant at Shuaiba. Traditional tyre importers, already hit by the end of exports to Iran, may find that they will come under pressure. The Saudi authorities have said that they will not allow any local competition to emerge.

The sector most likely to support a profitable industry in Kuwait is clearly construction: cement, bricks, iron bars, aluminium, plastics, furniture. Demand is local but Iraq has great potential for the future. Local companies such as Khorafi and Musaad al Saleh, have won major contracts against Japanese and South Korean ones.

Khorafi, in particular, has expanded by setting up the Kuwait Steel Reinforcement Co. (KSRC) as a joint venture with Rom River of the UK. Together they have captured almost 30 per cent of the local market for steel and are moving into Iraq where their customers are primarily the Japanese.

Other local companies include Kirby Building Systems of the Al-Ghanim group. This supplies pre-engineered buildings mostly built in the company's three factories in the U.S. and one plant in Kuwait.

INDUSTRY

DAVID LYNNE-PRICE

An important role in the country's development is played by the Industrial Bank of Kuwait (IBK). Currently, it is helping 41 projects with project aid and loans. These include construction, metal products, food, furniture, oilfield services, chemical products, paper and printing, for which it has loans outstanding of $132m.

The IBK's emphasis is inevitably on Kuwait but it is also involved in two projects elsewhere in the Gulf: a construction materials plant in Oman and a poultry farm in Sharjah.

There are persistent rumours that the bank will also be looking for projects in the developing world. For instance, it has had talks with Brazilian industrialists and is a shareholder in the recently-formed Kuwait-Asia Bank. Along with other Kuwaiti investors, in the private and public sectors, it is showing willingness to invest in light industry projects in India, Malaysia and Indonesia.

Not all development in Kuwait's industrial sector will be assessed on the grounds of whether or not it will make a profit. The food industry is largely uneconomic but the Government is concerned with "food security" even at the cost of heavy subsidies.

The problem for Kuwait, along with a number of other oil producers, is that however wealthy the country may be in terms of oil revenue it still has a constricted home market. Establishing and running industries is extremely costly and local companies seldom have the expertise to find markets in neighbouring states where they will meet intense competition.

Terry Kirk

The dhow harbour, Kuwait City. Merchants view long-term prospects of the re-export trade to Iraq with enthusiasm

Business decisions still taken by the family

PERHAPS ONE of the economic ironies in Kuwait is that its trading sector employs more than six times more people than the oil industry, absorbs around a quarter of all bank credit and yet accounts for only 5.8 per cent of the GDP.

The Kuwait market, though small, is nurtured by a growing population and high expenditure per capita levels by the government. In the first six months of last year alone, the government spent KD 216m ($792m) in land acquisitions and later in the year paid handsome bonuses to all government employees on the occasion of the Islamic New Year.

Of all the merchants in the Gulf, the Kuwaitis are known to be the "smart operators," renowned for their aggressive investment policies and experience in business, both at home and abroad. Today their interests range from banks in Arizona, hotels in California to condominiums in Singapore, and the names of the major trading families are familiar to the world's financial circles.

Yet at home many still operate as large family businesses. The companies may employ several thousand people but it will be the brothers or sons who take the decisions, not the senior hired specialists. "Decision making has not passed from the family," said one local banker, "and seems unlikely to do so in the near future."

Contrary to Western opinion, the system works quite well, one English manager of a local company pointed out. His "family" consisted of four brothers, all in their early thirties and foreign university educated. "There is so rarely a chance for any disagreement to occur merely because decisions are taken together."

Nevertheless, many of the local companies are expected to be attracted to the possibilities of going public, following the recent announcement by the Commerce Ministry. According to the conditions laid down, an eligible company should have a fully paid-up capital of no less than KD 5m and should have been in business for five years with at least the last two yielding profits. The registered shareholders of the company should keep 40 per cent of the company's shares, each according to his quota for the period of a year from the date of public listing.

It is this last stipulation which may encourage the Kuwaiti companies to go public, for the owners will be able to watch the value of their shares increase. In theory, the entry of so many new companies to the stock exchange should make the market less dynamic, according to one local banker, but knowing the history of the Kuwait market, this is unlikely.

In the last year or so, Kuwaiti investors have been turning their eyes overseas more and more as the Gulf passes through an uncertain time. High interest rates abroad left the local dinar market rather tight and all local banks report a noticeable shift into foreign currencies particularly the dollar which is closely aligned to the dinar.

Even the Kuwait stock exchange lost its customary lustre during the latter part of last year and there were several days when no trading was recorded at all. The shares traded during that period showed an 18 per cent decline. Even so, to many a Kuwaiti merchant his own local stock exchange offers the most attractive yield, protected and supported as it is by the Government.

However, many local bankers believe that the next year or so will see even greater interest by local Kuwaiti companies in foreign equities. The United States is still expected to be the principal market of these funds, but interest in South East Asia and Japan is also rising. The traditional love of bricks and mortar is still predominant in Kuwaiti companies overseas investments, as was evidenced by the Kuwaiti Real Estate's recent venture to build a $25m condominium in Singapore. Bahrain's and al Sanka group's acquisition of the Great Western Bank and Trust of Arizona is likely to be a growing pattern of overseas investments by Kuwaitis.

The need to diversify and spread their wings a bit in no way reflects on the attractions of the home market, for still the returns on Kuwaiti shares or land deals can still outshine many a European equity. The massive newly-built Salhiya complex, for example, is still reckoning to recoup its KD 30m investment within five years, says its management. Rents

TRADING

KATHLEEN EVANS

are still going up steadily and now the average price for a square metre per month is about KD 7-8.

Key money has experienced some wavering in the last year but is still astronomical. When a prominent Kuwaiti bank went shopping for two front doors in one of the city's main thoroughfares, the asking price for key money was a staggering KD 550,000. The Salhiya complex, which brought 33,000 sq m of office space on to the market, was still able to fill up within the space of a year, and expects rents to rise steadily through the year, war or no war.

With such overheads, it is not surprising therefore that mark up on goods can be anything from 10 to 20 per cent. "It may be even higher than that because they generally look for a net profit of 20 per cent," one local banker remarked. Yet in the last two years, the Kuwait market has seen not only a downturn in growth of demand from the early boom days, but also an increase in competition. For example, the Chrysler agent is now not the only local company selling Chryslers—about 40 others are also in the business, all offering discounts.

Inventories are reported to be high at the moment in Kuwait, mainly as a hangover from the slump in demand which followed the onset of the Gulf war. Some merchants have sent their salesmen into Saudi Arabia or even Dubai to offload it, and traders in luxury goods have particularly felt the brunt of the slowdown.

The Saudi market, traditionally the largest re-export market for Kuwait, is normally parked each year at the Hajj—the pilgrimage to Mecca—but the Gulf war brought fewer pilgrims. Car imports have also slumped by as much as 17 per cent. The drop in U.S. car sales was offset by the Japanese makes. "The American car has lost its status—everyone has one now," one of the firm's executives said.

Local merchants view the long-term prospects of the re-export trade to Iraq with enthusiasm. The main market, Baghdad, is just 700km away by road, and so Kuwait is well placed to act as a warehouse town for its neighbour, particularly as many Kuwaitis already have family ties in Iraq. Most local traders already report that there have been increases in re-exports of foodstuffs particularly, and there are hopes of further large-scale orders for building materials.

Some of the orders from the Iraqi trading organisations are considerable. One, for example, was for $50m of frozen chickens: it was a deal financed by a Kuwaiti bank and brought off by a local merchant who imported the chickens from Rumania. One Kuwaiti banker said: "You can expect these triangular deals to increase merely because our banks are more geared up." Another even larger deal was for trucks which were ordered by Iraq direct from a U.S. manufacturer. However, the U.S. bank involved did not want to assume responsibility for the total value of the order, about $65m, and so a Kuwaiti bank was called in to help spread the risk.

All the Kuwaiti companies are expecting a bonanza after the war. However, some are more realistic in their thinking and know that Kuwait will face competition from other centres. "This Iraqi trade is more anticipation than reality," commented one banker. However, local construction companies have high hopes of securing work in Iraq's reconstruction programmes. Nevertheless, the immediate prospects of a greater warehouse role for Kuwait do look good, and the Iraqis are reported to be paying promptly or in cash. At the moment, all they are interested in is delivery.

Even so, Chamber of Commerce officials still believe that the Saudi market is going to remain top of the re-export league for Kuwait. In 1978, the last year for which detailed figures are available, show that Saudi Arabia imported some KD 14m-worth of goods, Iraq was the second principal re-export market with KD 28m, with Iran following a close third with KD 24m. This year though officials expect the Iraq market to be about equal to that of Saudi Arabia's. The Iran trade has virtually ceased since the war, and the re-export role has been largely taken over by Dubai. After that comes the UAE, followed by the two Yemens and then Egypt.

Local observers already estimate that about 9,000 tons of goods a day are passing from Kuwait to Iraq each day by truck. Most of this is direct delivery from the state's two major ports, where Iraq was granted facilities some years ago. Two berths at both Shuwaikh and Shuaiba have been designated for Iraq, though according to local shipping circles the Iraqis are only allowing priority cargoes to berth. Non-urgent cargo is generally going on chartered vessels with demurrage guaranteed by the Iraqi consignee.

Kuwait's future role in the handling of this Iraqi traffic will be governed during the war period principally by political considerations, for early in November there were two aerial attacks by Iranian planes on the Kuwait/Iraq border post. There are already some regulations concerning just how much Iraqi traffic can be bought in. If, for example, a ship came in carrying both cargo for Iraq and Kuwait, the ratio must be in the ratio of one-third/two-thirds for Kuwait cargo, and any Iraqi cargo must be off-loaded and delivery taken immediately.

The extra Iraq cargo has come at a time when Shuwaikh port is currently considering a major extension to its facilities. Delays over decision-making at the port have meant that it has no container facilities as yet. More civil works have to be done on the quayside in order to strengthen it sufficiently to accept a gantry crane and there are hopes that one will be in operation by early 1982. Last year Shuwaikh handled 170,796 containers, and this year it is expected to handle about 250,000.

Shuaiba port, through which most of the Iraqi traffic is passing, is presently expanding by another nine berths, three of which will be for container handling. But few people expect that the back-up services are going to be ready for at least another year. In total tonnage terms, Shuwaikh handled 4.6m tons in 1979 and about 5.3m tons last year, though without the Iraqi cargo, there would have been empty berths in Kuwait.

Container traffic is increasing at the port of Shuwaikh, which has plans for a major extension of its facilities

Policies a model for other states

AID
KATHLEEN EVANS

THE KUWAIT FUND for Arab Economic Development (KFAED) was established in June 1961. The date is important. It was just six months after Kuwait gained its independence and at the moment when Iraq was claiming sovereignty over the country.

Oil revenue was $467m that year, paltry by present standards, but it was clear then as now that aid was one way of turning Kuwait's wealth into political strength.

In the years since the first loans Kuwait has consistently been a major provider of aid to the Arab world and developing states. The aid policies of other Arab oil producers are frequently modelled on Kuwaiti methods.

With such a background, Kuwait is well placed to take the front line in disputes between the industrialised West and the OPEC states about their duties to the developing world in the face of the Third World's growing difficulties in paying oil bills.

It is Kuwait that has been the most outspoken in criticising Western aid policies in the past, and the relations of the oil states to such international institutions as the IMF. Its most vocal spokesman has frequently been Mr. Abdul Latif al Hamad, the head of Kuwait's own Fund. With nearly 20 years' experience under its belt, the Kuwait Fund is now firmly established as the grandfather of all the Arab aid institutions.

KFAED has become renowned among the borrowing nations as a quick decision maker, a skilled assessor, and one of few agencies which makes a policy of following through on its projects, making sure schedules are kept to.

Though its professional staff is only 25, the reports of the Kuwait Fund are frequently taken at face value by other Arab aid institutions as a basis for going into projects. During the past few years, KFAED has expanded its co-operation with the numerous OPEC, Islamic and international aid agencies, among which can be included on current loans, the European Development Fund, AID, UNDP, the World Bank and many others. *In 1979, 18 of its 25 loans were given in co-financing arrangements with such institutions.* Another discernible trend has been the way the fund has opened the doors to Kuwaiti private investment, and it is not unusual to find its name in a list of commercial backers, some of which may include the semi-state investment companies of Kuwait.

The pattern has come about for a number of reasons, said the fund. "Sometimes a potential borrower might go to KFTCIC first, hoping to get their project backed commercially. They get referred to us."

At other times, the fund may lend directly to a new company being established by a country to undertake a project. "We might lend money to form part of the company's capital, or alternatively, lend on soft terms to the government or central bank, which then in turn lends at market rates to the company. The difference in interest then can go to other development projects."

This mixture of trade and aid from Kuwait has been successfully used to help establish such projects as the Kenana Sugar project in Sudan, part of which has been financed by KFTCIC. On the Jordan phosphate project, the Kuwait Fund sits alongside a number of French banks.

The Fund itself is barred from taking shareholdings in any companies. "However we can through aid, make a long term profitable project look more attractive to the private investor," says the Fund.

For the first 12 years of its existence, Kuwait's aid fund confined itself to the Arab countries, but in 1974 its horizons were expanded to include African and Asian borrowers. KFAED has always prided itself on the apolitical nature of the choice of recipient countries, and in last year's list was Vietnam, which received assistance for an agricultural project. Kuwait has also been a lender to Marxist ruled South Yemen. About 62 per cent of the Fund's commitments are still going to the Arab countries.

In 1980 20 loans were arranged and commitments taken on during that year amounted to KD 72m and withdrawals were KD 81.5m. This brought the fund's total commitments to KD 690m and total disbursements to KD 423m. Technical assistance grants for feasibility studies were KD 6.8m. Of the 20 countries which received loans, seven are Arab countries (41.5 per cent), five African states (21 per cent), seven Asian states (24 per cent) and Cyprus (3.5 per cent). Industry and services accounted for 39 per cent, followed by transport and communications with 28 per cent and agriculture and other sectors with 10.3 per cent. The loans ranged from nine to 36 years and interest ranged from 1.5 to 5.5 per cent.

Egypt is still one of the Fund's most prominent borrowers despite the ban on further assistance to that country since the Camp David agreement. "We had to honour the agreements we had already started. They were commitments," said the Fund. Egypt is continuing to service the loans which total KD 63.5m. The next largest borrower is Mauritania which is receiving assistance on a number of road projects as well as KD 12.9m towards the Guelbs iron-ore project which is jointly financed by the Islamic Bank, KFTCIC, the Arab Mining Company and other *Arab aid institutions.*

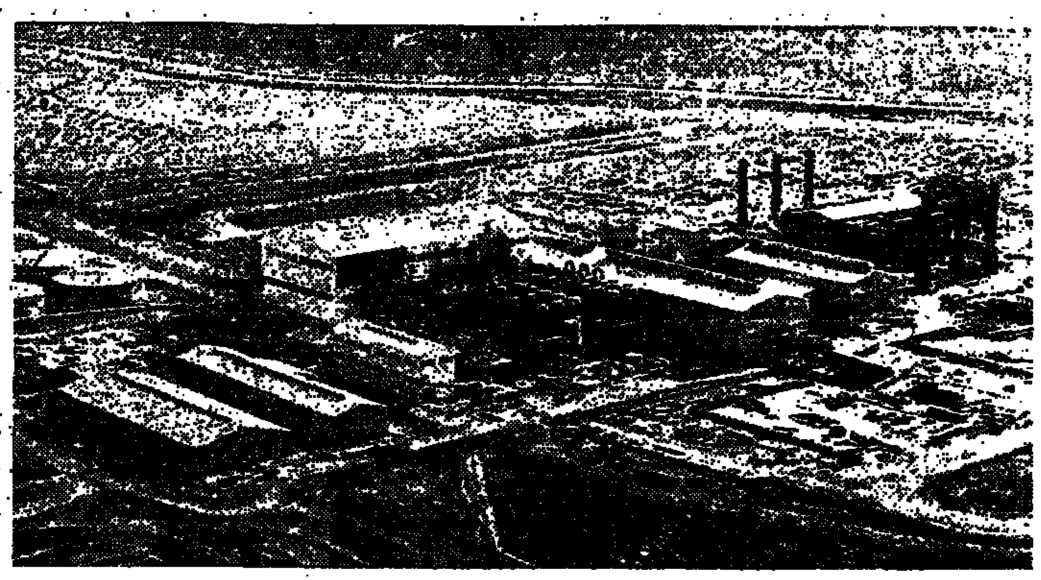
The Kuwait Fund accounts for half the aid handed out each year by the state. Total aid is said to be about 9 per cent of the GNP. The largest part is administered by the finance ministry, the channel for budgetary and balance-of-payments support. It is also responsible for Kuwait's share in the many Arab and Islamic funds as well as the numerous OPEC funds. One of the most prominent is the Arab Fund for Economic and Social Development (AFESD) in which Kuwait is the largest shareholder.

The AFESD, established by the Arab League, and based in Kuwait, has seen a considerable resuscitation since Dr. Mohammed Imadi, a former Syrian minister of economy, took over. From 1979 when no loans were made by the Fund, KD 24m was committed last year, and in 1981 a further KD 50m to KD 60m will be extended. Interest rates are 4 per cent for infrastructural projects in the most needy countries and 6 per cent for industrial developments.

The scale of the Arab Fund's activities will be considerably enlarged with the declaration of the Arab Development Decade and the establishment of the Jordan summit fund set up for the very needy Arab countries. At the time of the summit these were defined as the two Yemens, Somalia, Djibouti, Mauritania and Sudan. Although according to Dr. Imadi, the fund is not limited to these countries. The special fund has been capitalised at $5bn and will be administered by the AFESD. Its contributors are Kuwait, Iraq, Saudi Arabia, Qatar and the UAE.

Many applications have been received from countries wishing to draw on it, and some projects are ready for financing. The training of human resources will be one of the priorities of the fund, says Dr. Imadi, for in that way it can be shared by all Arab countries. However none of the contributing states has yet paid.

The Arab Fund is expecting its capital to be doubled or trebled following a study prepared by its Board of Governors meeting in Tunis this year. About $500m will be coming from the special account fund, and $200m has been handed over by shareholders. At present capital is KD 400m and commitments by the Fund are KD 342.9m. The decision to increase the fund's capital is expected in April at a ministerial meeting in Kuwait.



Quick decisions have expedited schemes like the Kenana Sugar Project, in Sudan

Poll honours government pledge on democracy

ELECTIONS
KATHLEEN EVANS

TO VISIT Kuwait from other capitals in the Gulf is a heady experience politically. The city's numerous newspapers are often critical, not always accurate—but always lively compared with the government-controlled newspapers of other areas. The country's problems are more openly talked about by officials than in other Gulf states, shortcomings examined and policies discussed. Even more staggering this month is the fact that the Kuwaitis went to the polls.

Elections are not something which happen very often in the Arab world, and in the Gulf they set something of a precedent. While other ruling families have merely consultative or advisory councils, Kuwait has had a parliamentary tradition for the past 18 years. But it is a tradition interrupted for the past five years—for in 1976 when deputies attempted to block important Government legislation, the Kuwait National Assembly was dissolved. At the time, tensions were running high over the civil war in Lebanon and there were fears that sparks from the Lebanese fire might spread to the Gulf region.

When the government ordered the Assembly's suspension, a public pledge was made to study the renewal of democracy in the state. To many people's *surprise*, this pledge was honoured late last year despite the uncertainty generated in the region by the Gulf War. The front line after all is only about 100 miles away from Kuwait City. The election was called for February 23, just two days before National Day, but the campaigning started virtually with the New Year.

It was a very different electorate which voted this year compared with six years ago when the last elections were *held. For* a start the region has seen the spread of militant Islam, a rise in superpower influence in the area and a war between two Gulf powers.

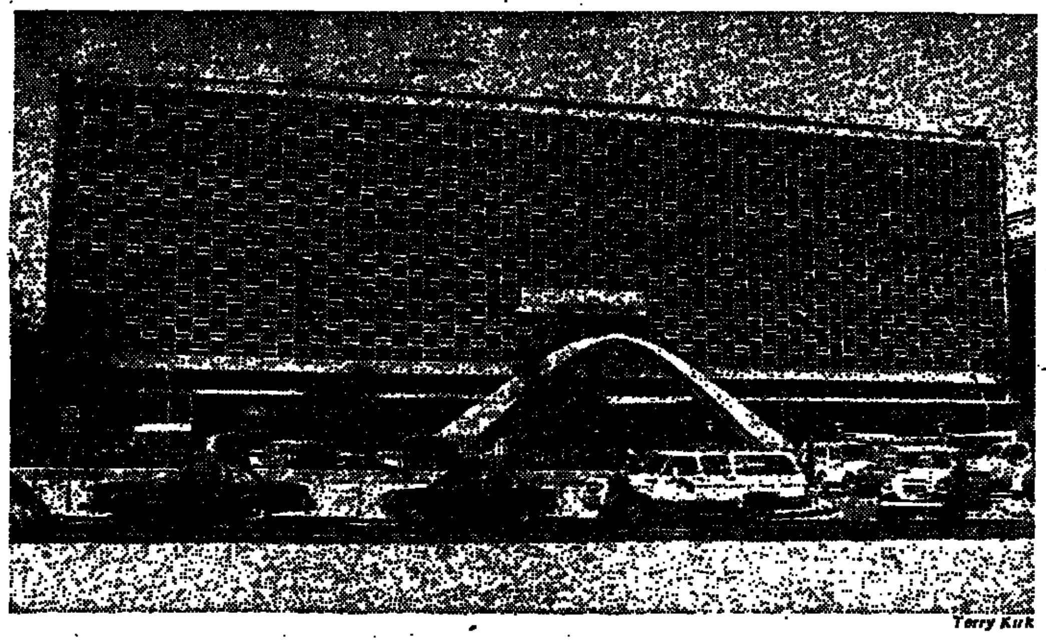
The candidates were a mixed bag. There were 57 members from the last assembly, some army officers who resigned their posts in order to stand, a number of professors from Kuwait University, several businessmen and a generous sprinkling of young technocrats and senior government officials. There were even two former ministers and a couple of actors attempting to take the stage in the National Assembly.

Although political parties are banned in Kuwait, a number of discernible groups are represented. One of the major ones being the Kuwaiti Shi'ites who form about 20 per cent of the country's national population. There are also the old Arab nationalists, Islamic fundamentalists and Islamic moderates. Many Kuwaitis vote on family lines as they have always done.

Significant though they may be regionally, at home the Kuwaiti elections took on a parochial nature. Registered voters numbered only 41,700, just 3 per cent of the population. (Kuwaitis make up 41 per cent of the States' total number of residents—the majority of the rest are Arab expatriates.) Excluded from the vote were second class Kuwaitis, all women, soldiers and absentee nationals.

There were 520 candidates competing for only 50 seats in the elections, and because of the small number of voters, some constituencies had voters rolls of less than 1,200 people. Some of the candidates were said to have offered inducements to secure votes—a process which disgusts many Kuwaitis.

Above all, what many Kuwaitis seek to avoid in the new Assembly is a repetition of the style which characterised the last parliament, which they viewed as corrupt, tribalistic, and abused by many members to promote their own self interest.



Terry Kirk

The National Assembly Building. A total of 520 candidates competed for 50 seats

Resentment at divisive regulations

KUWAIT IS probably one of the most divided and structured societies in the world. It is divided not only on grounds of nationality but also by a labyrinth of rules and regulations concerning entitlement to citizenship and welfare benefits which accentuate the economic and social dividing lines between the many communities which make up its society. This gives Kuwait three distinct economies—Kuwaiti, Arab and Asian.

Only Kuwaitis can receive social welfare, a government pension, a free house, or act as an agent or buy and sell land. Only Kuwaitis are guaranteed a free education—the vast majority of Arab expatriates are left to pay for places in the private schools or, if they are the children of a government official, go to school in the afternoons.

And as for housing, the foreign resident is usually left to the devices of a Kuwaiti landlord, whose rents are usually higher than the average wage.

Nowhere is the "Us and Them" complex of the Gulf—that is, the nationals and non-nationals—more noticeable than in Kuwait. Last summer, when electricity cuts took place following a fire at a power station, it was the foreign areas which took most of the load shedding. "The Kuwaiti areas suffered only a few cuts, whereas we had days without electricity," said one Palestinian.

True or not, the comment was symptomatic of the kind of resentment felt by many Arab residents in Kuwait. Some see in this a recipe for a potential larger problem in a few years' time, while others see it merely as a defensive reaction of a Kuwaiti minority attempting to preserve itself against the majority.

Not since the days before independence have Kuwaitis been the majority in their own country. Today they make up only 41 per cent of the population, 562,000 out of a total of 1.3m. And despite their very high birth rate, they decline as a ratio with each year under the influx of newcomers and natural growth of the foreign population.

The largest single section of the foreign population is that of the Palestinian and Jordanian community which, according to the statistics, account for more than 20 per cent of the total, probably numbering now around 250,000 to 300,000 say informed observers. After the Palestinian community the Egyptians are the next sizeable national grouping, followed by the Iraqis, Syrians and other Arab nationals.

Not all the Arab residents of Kuwait are resentful or discontent. Indeed many have made fortunes in the state and live very well, some even up to millionaire standards. Indeed as one rich Lebanese explained: "The problem is not with the ones who have done well—they can always move with ease. The problems are with those who have just managed to get by in Kuwait.

"There are, it is true, a lot of Arabs in Kuwait who have made lots of money. But there are an awful lot of Arabs who have not."

Many of these Arab residents have been living in Kuwait for 20 years or more and, indeed, regard the country as their home—a factor perhaps more worrying to the Kuwaitis than anything else. Many of these long-stay residents have worked for the Government for that number of years, yet in theory there can be no comfortable retirement in Kuwait for a non-national. The law requires any foreigner upon retirement to leave the country.

Even his children will have little hope of becoming citizens even though they may have been born in Kuwait—not unless their parent was in the State before 1945—just three years before the main Palestinian influx began. Government officials argue that a teacher of many years' Government service is seldom asked to leave the country on reaching the age of 60. "They usually have someone they can ask to help them stay. They are probably in business with a Kuwaiti after so many years in the country, anyway," said one official.

Palestinian residents argue that this is not always so, and that many just end up with their indemnity payments and little else. "They want us when we are young and energetic, and toss us out when we're old," said one soured resident.

Indeed, a recent report done by the Labour Ministry showed that more than 45 per cent of all resident permit holders were below 32 years of age and only 1.1 per cent were 60 years and above.

The foreign community sees their future becoming only more difficult as more and more regulations are issued, further undermining any sense of permanence in the country. One recent decree declared that no employee earning less than KD 400 a month ($1,470) could bring his wife. This would seem to exclude all teachers and medium-ranking Government employees.

Another decree stated that no resident permit holder could leave the country for more than six months and be guaranteed the right of residence on return unless an adequate excuse for the absence was accepted by the Interior Ministry before the person's departure.

In many ways the situation, uncomfortable on both sides, is perfectly understandable, for not only are Kuwaitis worried about the social effects of so many foreigners, but there are political considerations also. As Kuwait was the first oil state to exploit its oil wealth, it turned to the Arab world for its labourers and administrators, and is consequently a much more Arab community than other Gulf centres which have turned into hybrids of Indo-Pak-Arab communities.

Kuwait is therefore much more vulnerable to the fractricidal disputes which occur in the rest of the Arab world. In previous years, it has been the Palestinian community which has caused the most concern, but in recent times the Iraqis, Iranians and Shiites generally which have generated greater attention. With the onset of the Gulf war, there have been emotional tugs to either side within the community, but generally the Government has taken a pro-Iraqi line.

Such political considerations are mirrored in the new work permits issued to incoming aliens. In theory, the Labour Ministry does not stipulate to any employer which nationalities he should employ, but privately, unwriten instructions on the favoured or unfavoured of that month are circulated to officials.

In 1978 for example, the latest year for which figures are available, 2,326 Jordanians were given work permits. This compares with 4,286 the year before. Similarly for Palestinians, the number dropped to 53 against 472 in 1977. Permits issued to Syrians dropped by a half, those for Egyptians went down from 17,665 to 10,851 and those for Lebanese went down from 2,574 to 1,526. Iranians also showed a 50 per cent cut, whereas Asian nationalities showed either stability or considerable increases.

SOCIAL STRUCTURE

KATHLEEN EVANS

The majority of these workers are employed in the private sector, which overall is 77 per cent dominated by foreigners. This is due partly to employers' reluctance to employ Kuwaitis (their salaries are more expensive and social security contributions have to be paid), but also because the Kuwaitis have shown a preference for the government sector. The six-hour working day allows them to pursue business interests at other times of the day or, even more alarmingly, many just sign in in the morning and go off to work elsewhere.

Efforts to lure more nationals into the private sector have included guaranteeing a person's old government job back after three years, and paying a government pension when a national works in the private sector. Government officials are aware of the abuses, but seem to view them as a mechanism for distributing income.

In practice, the benefits can lead to much resentment, for frequently a foreigner and a national can be doing the same job, though the Kuwaiti will earn much more than his foreign colleague and frequently work less hard.

Not only is there a labyrinth of laws regulating and reinforcing the divisions between Kuwaitis and non-Kuwaitis, but within the national community also there are two classes of citizenship. There are, say statistics, 562,000 Kuwaitis, but opinion is divided on just how many of those are actually first-class Kuwaitis.

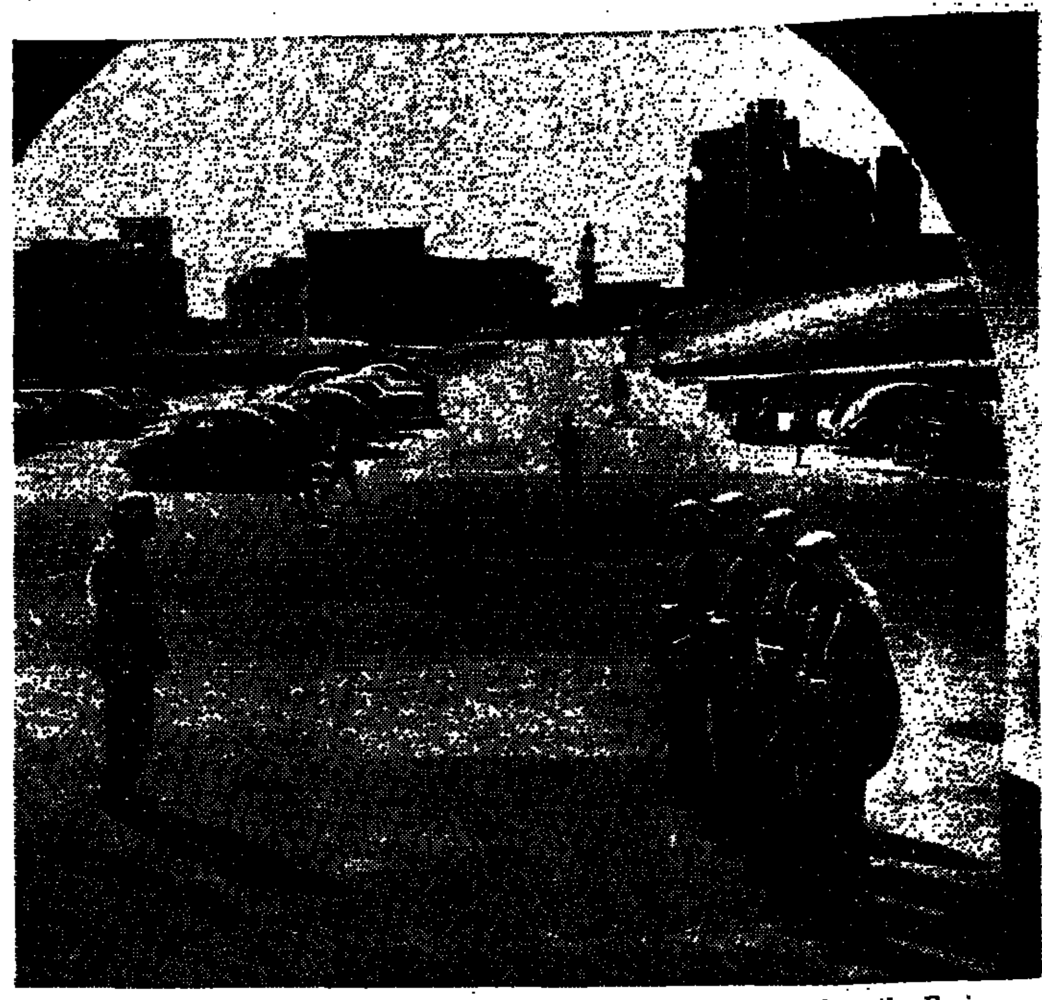
To be a first-class Kuwaiti, one has to be born or able to trace one's ancestry in the state back before 1920. Second-class, or "naturalised Kuwaitis" are the equivalent of a U.S. green card holder, explained one government official. In recent years the Government has sought to increase its national population by granting citizenship to the bedu.

Last December the Government issued yet another invitation to the bedu to regularise their status and gave them a year to do so. If proof can be offered as to their birth in Kuwait, then first-class status is conferred, if not, then they become second-class citizens. Apart from that, some senior foreign nationals are granted citizenship as a reward for long service to the State, but each year these amount to no more than 8,700.

The only difference between the two classes of citizenship is that a second-class Kuwaiti is not allowed to vote. In the forthcoming elections, this stipulation has cut the size of the electorate considerably for only 3 per cent of Kuwait's population will be voting. Other categories, such as soldiers, all women and absentee nationals, are also barred from voting.

The vast majority of the State's population can only stand on the sidelines during these elections and watch. Nevertheless the fact that they are being held at all is a bold gesture by the Government in view of recent events in the region and the general tightening up which has gone on.

Kuwait is a free country with a tradition of democracy and a relatively free Press. This is perhaps why the many grumbles of the expatriate Arabs about the insecurity of their life in Kuwait remain just that—grumbles. As one Iraqi Palestinian said to me: "Kuwait is tough economically to survive in, but at least I don't get shot at or get a knock at the door five o'clock in the morning. You can't say that about many Arab countries these days."



The Royal Guard parades at 8 am each morning outside the palace the Emir uses as an office

The Central Bus Station: many Arab residents from other countries now regard Kuwait as their home

HIGH STANDARD OF SERVICE IN EXPENSIVE CAPITAL

KUWAIT IS one of the most expensive capitals to visit in the Arab world, including Saudi Arabia. Hotel rates can start at £50 a day even before you order a cup of tea, but the standard of service and cuisine is generally high.

The Sheraton hotel is one of the most popular, because of its central location and selection of fine restaurants. Its highly ornate Italian dining room even boasts a quartet playing Mozart every evening. And though the set menu is expensive, it provides some of the finest fare in the Middle East.

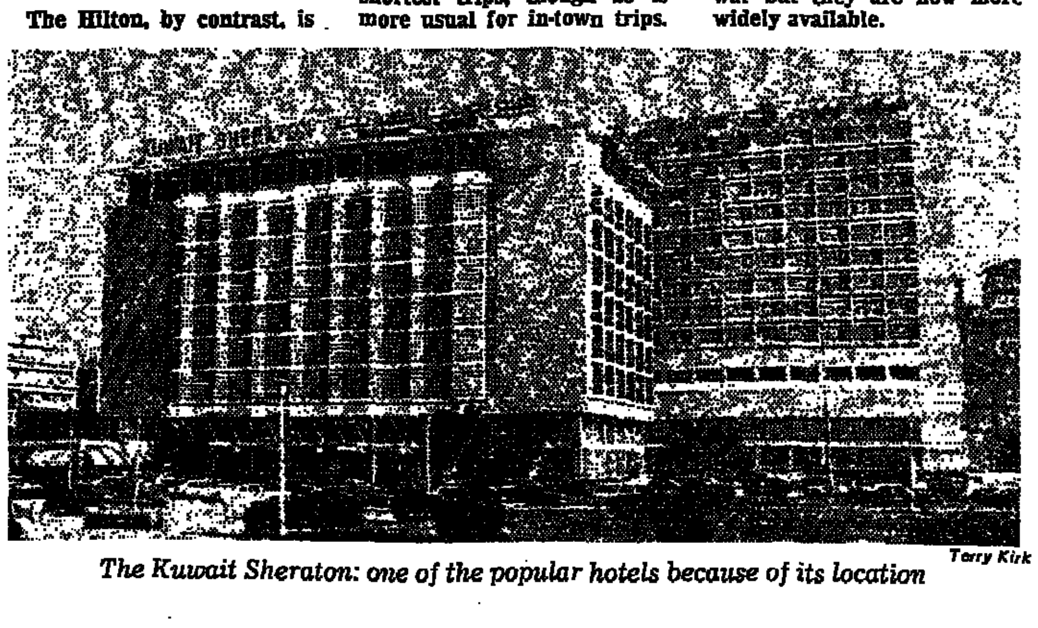
The Hilton, by contrast, is some way from the business area and it often takes time to obtain a taxi. In the past it was often necessary to make bookings for both hotels some time in advance. More recently restrictions on visas and the availability of accommodation elsewhere has ensured that there are many rooms available.

The newest addition to Kuwait's hotels is the 371-room Meridien, which has a selection of restaurants and the usual standard features, such as videos.

Taxi fares in Kuwait start at nearly £2, even for the shortest trips, though £3 is more usual for in-town trips. Keeping a taxi waiting can prove a major expense. The very high charges levied on international telephone calls also add considerably to the final bill for a stay in the country.

Though Kuwait is officially dry, drink is widely available and the drinking laws are not enforced with the same enthusiasm as in Saudi Arabia.

Visas must be secured beforehand for all nationalities, and, for businessmen, must be supported by a covering letter from the company. The number of visas available was restricted during the first four months of the Iran-Iraq war but they are now more widely available.



Terry Kirk

The Kuwait Sheraton: one of the popular hotels because of its location

DATSUN'S BRITISH VENTURE

The fight for Japan's golden egg

Local authorities are competing keenly to secure Nissan's British-made factory and are eager to provide 800-acre sites. The Japanese company is looking for regional aid, good labour relations and a one-union plant. Anthony Moreton, Regional Affairs Editor, weighs up the likeliest contenders.

UP AND down the country at this moment any number of planners, industrial development officers and solicitors in council offices are completing a somewhat frantic search for a piece of land that will bring the biggest industrial reward to Britain in the last 20 years. They have been looking for a parcel of 800 acres of flat land that could be the site for Nissan's Datsun car plant.

They have filled in a 13-point questionnaire and by Friday will have returned it to the Invest in Britain Bureau, an arm of the Department of Industry, which is co-ordinating the replies.

The task has been Herculean. Eight hundred acres is an enormous plot. It is 1½ miles long by 1 mile wide. It is as big as the City of London, bigger than any city centre in Britain. The heart of Birmingham, Glasgow or Leeds would fit comfortably into such a site.

To make life more difficult, these officials know little more than the barest details of what Nissan actually wants. The company has not told them anything. The questionnaire came from McKinsey, the American management consultants commissioned by the company to undertake a site feasibility study on its behalf.

Nissan followed this low-profile approach because it wanted at all costs to avoid being put in the position in which Hitachi found itself in 1977 when it tried to set up a plant manufacturing electronics in the North-East.

Hitachi ran into enormous opposition from both employers and the unions and withdrew, badly battered. Nissan was anxious to ensure that it would be welcome if it decided to come to Britain and so trod warily with the announcement.

The result must have exceeded its wildest hopes. Every local authority in the country has welcomed the announcement, with not a dissenting voice. In the changed economic climate Japanese investment is now very welcome.

The McKinsey questionnaire asked for technical details about the electricity supply and the infrastructure. Each applicant was asked if its land was within 10 miles of a motorway or a main-line station and within 15 miles of a port or an airport.

One other vital question was asked: Was the applicant's site within a regionally assisted area?

British grants are probably as good as those anywhere in Europe. Sites in a special development area, such as parts of the North-East or central Scotland, attract 22 per cent grants towards the cost of new plant and machinery and 22 per cent towards new buildings. Those in a development area, such as parts of South Wales and the South-West of England, qualify for 15 per cent.

Together with other discretionary selective financial assistance Nissan could get up to half its total outlay, which is thought on a conservative estimate to be £300m.

The fact that such an enormous golden egg is about to be laid on someone's doorstep has not deterred even the no-hopers—that is councils in areas which do not get regional aid—from applying.

But, surprisingly, there are only a few places that can meet all Nissan's requirements, which include good labour relations and agreement with the unions for a one-union plant. A site of 800 acres could, of course, be created almost anywhere but in most places it would involve rezoning agricultural land for industrial purposes.

Nissan cannot take any chances and therefore wants the 800 acres spoken for as industrial land before it starts. This gives those areas with industrial zoning—Humberside, Shotton, Speke, Sunderland—an immediate advantage. If these are not acceptable the company will have to compromise, but it would prefer not to.

So where could Nissan go? At first, it was thought that the search would concentrate on three areas—the north-west Wales and the north-east.

But the Linwood closure by Peugeot earlier this month changed all that. For political reasons the Scottish Office sent out a May Day signal to appease those who are alarmed at the prospect of another 5,000 being added to the Scottish jobless total after June.

Linwood itself is completely out. Labour relations at the plant were bad and the tar from this brush is smearing the rest of Scotland. The two sites rapidly chosen, at Newhouse, outside Glasgow, and Linhouse, west of Edinburgh airport, must therefore be considered outsiders.

If the labour image is uppermost, then Merseyside can hardly expect to be in the race. Merseysiders are at pains, though, to point out that their labour relations are good, which is true—outside the docks and the motor industry.

But Liverpool does have one good site on Speke airport where the runways are being resited and at least 600 acres of industrial land will be available. It is trying to put together another site on agricultural land but this could be an early candidate for the chop.

Wigan might be a better bet. The council is playing its cards close to its chest but it is letting it be known that it has the zoned land available. It will not say where, but one site is thought to be at Ince. Watch Wigan as a dark horse candidate.

Also watch Sunderland, where the council owns the 400-acre airport. The remaining 400 acres do not present many problems since they are in the hands of just three owners, one of which is Washington New Town.

One other North-East site will be put up, on Teesside. But Cleveland County Council is still looking for it so it is impossible to know how strong a candidate this might be.

The trouble with the North-East is that it is hopelessly split and carries no political clout. The Teesside site will be put up because the Tynesiders are already in with Sunderland. But none of the region's Conservative or Labour MPs carries much political weight at Westminster.

This is where Wales scores. The Welsh are led by a very hard political infighter in Mr. Nicholas Edwards, the Secretary of State. In industrial affairs Mr. Edwards has a reputation for getting what he wants, even if it means going over department heads and taking his case to Mrs. Thatcher.

Mr. Edwards is determined to see Nissan go to Wales. He can point to seven other Japanese factories in Wales, all with admirable labour relations and productivity records, and he has at least four sites to offer the company.

One of these is opposite the Llanwern steelworks outside Newport, which produces steel for the motor industry, and the other lies between the M4 and the coast between Newport and Cardiff. There is a further site in South Wales, near Ford's Bridgend works, commonly, but mistakenly, thought to be at Miskin. This is not a serious runner.

The site the Welsh will push very hard is in North Wales. At Shotton there are 800 acres in one ownership which lie within a special development area. Some in filling might be necessary but this could be done quickly. The labour is available and communications are good.

One other East Coast site, between Grimsby and Immingham, in Humberside, is a possibility since it is an enormous area of 3,000 acres of industrial land. But it has one major drawback: it does not have a large labour pool and many workers would have to be bussed in from long distances, perhaps even from Hull.

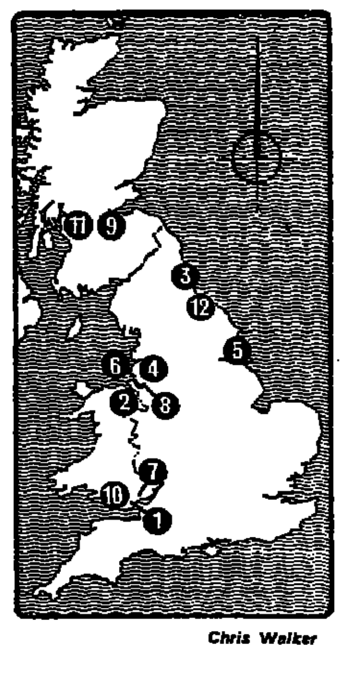
There is one area, of course, that cries out for attention: the West Midlands, home of the motor industry.

But the West Midlands has a weak case. It has no regional status and even if a request made last week to be uprated were successful no part of the area is within 15 miles of a port. Its three potential sites are all in a green belt and would need rezoning.

These then are the sites. Which will make the short list will not be known for a while.

I am not a betting man but if I were having a little flutter, Shotton, Sunderland and Wigan (in alphabetical order) might attract me, with Humberside a fancied outsider. If it is any consolation to the others I never get more than two or three draws correct on the treble chance any Saturday night.

The possible sites



Chris Walker

The favourites

1: CARDIFF

Site: 230 acres at Wentloog between M4 and coast immediately available which could be enlarged to required size.

Unemployment: 11.5 per cent.

Regional status: DA

Advantages: Excellent communications; near ports; another Japanese firm (National Panasonic) nearby.

Disadvantages: Coastal site might need expensive piling; west coast; multi-ownership of land.

2: SHOTTON

Site: Range of options, but one being favoured where land is in single ownership.

Unemployment: 15.5 per cent.

Regional status: SDA

Advantages: No planning problems; immediate start possible; near car-handling port.

Disadvantages: Some infilling necessary: west coast.

3: SUNDERLAND

Site: 400-acre airport owned by Sunderland Corporation and used for private flying. Remaining 400 acres concentrated in three hands.

Unemployment: 17 per cent.

Regional status: SDA.

Advantages: Site owned by small number of bodies, none private.

Disadvantages: Local politicians deeply divided;

4: WIGAN

Site: Two being considered, but neither named. 800 acres, zoned largely for industrial purposes.

Unemployment: around 14 per cent.

Regional status: SDA.

Advantages: Near car-handling port; good communications.

Disadventages: West coast.

Middle-rankers

5: HUMBERSIDE

Site: An area between Grimsby and Immingham which has already attracted heavy industry.

Unemployment: 11.9 per cent.

Advantages: East coast; near Grimsby and, with the opening of the Humber Bridge in May, Hull.

Disadvantages: Difficult to find sufficient labour.

6: MERSEYSIDE

Site: One unnamed location being investigated, probably in hands of large land-owning family and presently farmed.

Unemployment: Unknown.

Regional status: SDA.

Advantages: Problematic.

Disadvantages: Good farmland; planning inquiry needed.

7: NEWPORT

Site: Llanwern, next to BSC steelworks. Flat land presently farmed.

Unemployment: 12.7 per cent.

Regional status: DA.

Advantages: Could take steel straight from works; excellent communications; near car-handling port.

Disadvantages: Coastal site might need expensive piling. Newport has recently done well in attracting new industry.

8: SPEKE

Site: Liverpool airport, now being redeveloped to provide new runways. Some 480 acres available but this could be easily brought up to 750.

Unemployment: 16.1 per cent.

Regional status: SDA.

Advantages: About six miles from docks; pool of labour.

Disadvantages: West coast; poor labour image.

The long shots

9: LINHOUSE

Site: Near Livingston New Town. Not large enough, but could be enlarged. Near M8, about 6 miles from Edinburgh airport.

Unemployment: 15.6 per cent.

Near new town; good communications; next to airport; east coast. But suffers hangover from Linwood troubles.

10: MID-GLAMORGAN

Site: Unnamed location, near Bridgend.

Unemployment: 14.2 per cent. Regional status: SDA. Good communications; near Ford engine plant and Sony. But labour not available in sufficient numbers in immediate locality.

11: NEWHOUSE

Site: Near western end of M8, roughly halfway between Motherwell to south and Airdrie.

Unemployment: 18.4 per cent. Regional status: SDA. Good road communications. But suffers hangover from Linwood.

12: TEESSIDE

Site: Cleveland officials desperately investigating six sites.

Unemployment: 16.4 per cent. Regional status: SDA. East coast; near port already used by Nissan to bring in Datsuns; labour available. But planning inquiry and compulsory purchase order probably necessary.

DA = development area; SDA = special development area.

Letters to the Editor

Defence and deterrent

From Lord Gladwyn

Sir,—We have made many mistakes since the war. No longer a world power we have usually tried to behave like one. At least since Suez this has made no sense.

The latest, and potentially the most disastrous mistake is about to be made. For in addition to its NATO obligation to increase our real defence expenditure by 3 per cent over the next three years, the Government proposes to spend at least £5bn—and in all probability very much more—over the next ten years on the renewal of our "independent" strategic nuclear deterrent. The plain fact is that these objectives are incompatible. It will be extremely difficult, given a continuing recession, to reach the first: only by abandoning it can we reach the second.

If, however, the Government really thinks that by retaining the ability to blow up Moscow and Leningrad we can, by ourselves, "deter" the Russians—that is to say if the Americans will not use their own deterrent or will have gone back to America—then it can think again. The idea that any ruler of this country could threaten to use, or actually use, nuclear weapons to check some Russian advance on the Continent when the immediate result would be the total obliteration of the UK is insane. The Americans, as a nuclear super power, might just possibly act in this way, though it can be doubted. If they do, "Trident" is superfluous: if they don't, it is useless.

Trident is thus a *brutum fulmen*, as the Romans had it. If the Americans are really out of the war the French "*force de frappe*" would also be unbrandishable. Even the final argument—that Trident would "deter" the mad dictator of a smaller power—is quite invalid. Retention by us of a few cruise missiles or some aircraft with nuclear capacity (as suggested by Lord Chalfont) would counter this unlikely danger perfectly well.

If in spite of all this the Government insists on our being a sham super power, then, whatever it may say, it is obvious that we shall have to cut back on our "conventional" forces. This means, broadly speaking, withdrawing part, or all of BAOR, with a consequent abandonment of the Chieftain tank: or scrapping the Navy's new £1bn homing torpedo: or reducing the Air Force and not replacing the Harrier and the Jaguar; or some action in all the Services at once, leaving them all inefficient.

The most likely course will, I greatly fear, be the triumph of the notion of a nuclear "Fortress Britain," involving total military withdrawal from an unpopular "Europe." But if we go for a "Fortress Britain," "Fortress America" will not be far away nor "Eurasia" either. Mrs. Thatcher must have serious talks on all these unpleasant options with President Reagan.

Gladwyn.
House of Lords, SW1.

The miners and the Government

From Miss A. Johnstone

Sir,—In your article on Britain's coal industry (February 20) you say that the "miners have frightened a hard line Conservative Government into submission" but in all important respects this is not true.

The Government quite simply acted to prevent the possibility of widespread industrial disorder and its damaging effects on all of industry, to reduce the effects of unemployment in certain, already hard hit areas, and to help the case of the moderates in the forthcoming battle for the miners' union presidency, for it is they who have succeeded in persuading the Government where a militant (such as Arthur Scargill) would have failed.

A long and damaging strike would have allowed Mr. Scargill and the militant faction to exploit the situation to their own best advantage by showing "their men" what effective leaders they were, how hard they were fighting for "their men's" interests and, most important of all, it would have allowed them to create a disastrous situation for the Government with the possibility of turning the whole event into a major political and social confrontation.

The Government made a very wise move for it was looking to the longer term and has succeeded in "spiking the guns" of people such as Arthur Scargill and Mick McGahey—for which readers may have cause to be very grateful.

(Miss) Anne Johnstone,
"Chaie,"
93 Attimore Road,
Welwyn Garden City,
Herts.

Policies and events

From Mr. C. Green

Sir,—The seeming capitulation by the Government following the unofficial strike by certain miners disproves the effectiveness of its apparent reliance on monetarism alone as the panacea for all our ills.

It is perhaps not since 1938 when Neville Chamberlain returned from Munich with "peace for our time" that there has been such an indictment of the past policy which had brought about the current event.

We can but hope that at least the lady is now for learning.

Charles Green.
Hilton Chambers,
15 Hilton Street,
Manchester.

The good of the economy

From Mr. P. Fletcher

Sir,—I hope you will continue the analysis of the political spectrum in this country so ably commenced in Mr. M. Hurst's letter (February 20).

At present there is disillusion with politics as a solution to our economic problems and this is reflected in a move towards the centre and away from extremes by the electorate, which politicians seem slow to appreciate. In fact Governments find that they must move towards the centre if they are to stand a chance of re-election. Thus Labour finds an accommodation with the "City" and the Conservatives (eventually) with the unions. The electorate is no longer swayed by dogmatic considerations, but seeks commonsense pragmatic government. The support for a coalition Government in times of crisis is usually far stronger than the party in power is prepared to admit.

What is now sought for is confidence shown through flexibility: for tax and welfare systems that will provide incentive; for the primacy of the private sector over the public sector; and above all for government expenditure to be aimed positively towards developing the economy rather than propping up sections of industry no longer capable of competing, with the excuse that to do so is cheaper than paying unemployment benefits. In the short term this may be so but the long term cost is the erosion of other parts of industry struggling for survival.

This country is a democracy with a capitalist system, and needs a balance that such a dual system implies. It is up to a government to provide and maintain this balance by policies which will promote the good of the economy so that services provided by the state may be paid for.

P. G. C. Fletcher.
Driftways,
5 Davenport Road,
Felpham,
Bognor Regis, West Susex.

Market research cuts

From the Development Director, Economist Intelligence Unit

Sir,—Given the continuing rise in executive unemployment, I thought you might be interested in the irony of the following situation. The EIU has been actively attempting to recruit industrial market researchers experienced in the field of construction and earth-moving equipment, but for almost a year now has totally failed to attract suitable applicants.

The explanation appears to be a symptom and cause of the sad decline taking place in British industry. In looking to cut costs to meet tougher competition, lower sales and profit levels, UK companies have cut, inter alia, market research functions and budgets—which anyway have often been given lower priority than those in the organisations of their successful overseas competitors. Therefore there are ever fewer specialised market researchers around in the UK industry. At the same time overseas competitors are looking to maximise their market research and overall marketing inputs to help increase their market penetration. UK manufacturers then suffer further pressure and erosion—and again respond by cutting the resources devoted to research and combat the situation.

The net result is that we know of very few competent UK-based market researchers in this industry, many companies now failing even to have a recognisable market research function.

There are, of course, some exceptions, but overall the implications for the industry's future sales prospects cannot be encouraging.

Bernard Donoughue.
Spencer House,
27, St. James's Place, SW1.

Water on the meter

From the Vice Chairman, the Birmingham Consumers' Group.

Sir,—You reported February 18 the National Consumer Council's opposition to a switch to metering as an alternative to a water rate for domestic supplies. Our consumer group, usually sympathetic to NCC views, nevertheless supports the metering option for the following reasons.

Industrial, commercial and business customers already pay by meter or have the option to do so. Many small businesses are now exercising this option. Section 30 of the Water Act, 1973 requires that from April, 1981, the authorities "do not show undue preference to or discriminate unduly against any class of persons." Clearly domestic consumers are entitled by law, to pay for water services on the same basis as businesses where this is more favourable than a rateable value charge. Four water companies and three authorities are operating schemes and our authority (Severn-Trent) is now piloting a scheme for April, 1981. Meters are even now being installed. All the costs of installation, maintenance, meter reading and replacement are paid by the customer. Severn-Trent provides sufficient information to enable customers to make an informed choice. Metered consumers are more likely to conserve water and consider the effects of lawn sprinklers, hoses and pools or even dish washers on the one hand, and dual flush toilets and showers on the other. Some may even go back to the old rain butt for garden watering!

We consider metering important to the conservation of future water supplies. The reduction of wasteful growth would curtail the need for an important part of capital expenditure, planned for the increase of storage and distribution systems. This in turn would reduce the need for capital expenditure, staff and hence slow down the growth of future charges—for all.

W. Martin Cox.
106 Windermere Road,
Birmingham.

Liability for products

From the Secretary, Product Liability Technical Committee, European Organisation for Quality Control.

Sir,—Kate Foss (February 18) says that the extra costs to industry of product liability insurance will not exceed 0.02 per cent of turnover. I have already pointed out that the forecasts of the European Insurance Committee in Paris for product liability insurance ranged up to about 0.03 per cent to 0.6 per cent according to product. This is well over ten times the costs suggested by Kate Foss. In any event these insurance costs do not take account of the much larger internal costs which manufacturers will incur. These have been estimated to be as much as 10 per cent to 15 per cent of manufacturing costs.

One may also question her argument that the imposition of strict liability will improve the prospects for safer products. Quality of itself has little to do with the problem. (See your Management Editor's recent series on quality circles and quality costs.) In fact, a case has been recently reported from a New York court which casts considerable doubt on her thesis. This court ruled that ". . . evidence of changes or improvements . . . could be allowed to back up injury claims . . . in product liability cases." U.S. legal analysts have pointed out that "manufacturing concerns may slow changes or planned advancements to keep from getting involved in cases like this."

In general manufacturers are not against improved remedies in law for consumers but it is very clear that, too often, consumerists and the legislation which they sponsor do not take into account the realities of manufacturing life.

R. M. McRobb,
Glebe Cottage,
Honeydon Road,
Colmworth, Bedford.

Collecting VAT

From Mr. D. Mayman

Sir,—The costs of collecting VAT as reported by Professor Sandford (February 17) are revealing and staggering, particularly that in 1977-78 the real cost of collecting each £100 of VAT was more than £11. Professor Sandford is to be congratulated on his comments on the effect of VAT transactions on the relative cash flows of business and Customs.

His report rams home the two major inefficiencies of the present method of collecting this tax: the main cause of the high collection cost is that 74 per cent of VAT collected is re-funded; and the fact that the large amount of VAT held at any time by the business community awaiting payment to Customs and Excise benefits the business community, must in reverse be inefficient from Customs collection viewpoint.

One wonders for how long the costs and idiocy of a system which refunds 74 per cent of what it collects can be tolerated, when, as recommended by the Consultative Committee of Accountancy Bodies this can be avoided, simply by eliminating the payment of VAT between registered traders.

D. Mayman.
Willow Grange,
256, Prescot Road,
Aughton,
Nr. Ormskirk, Lancs.

Short-time working

From Mr. R. Musgrave

Sir,—Mr. Whiting (February 18) presents an extremely old and fallacious argument for one of the Government "job saving" measures—temporary short time working compensation. His argument, to summarise is "it's cheaper for the Government to subsidise and thus save a job than to abandon it, pay out unemployment benefit, and lose tax revenue."

The fallacy: the loss of jobs in any particular firm does not mean a rise in unemployment by the same number, nor indeed any rise in unemployment at all assuming constant aggregate demand. In other words the money for TSTWC and other equally farcical "job saving" subsidies comes out of taxation, which in turn destroys as many jobs as are allegedly saved. If perchance this expenditure is a net addition to the budget deficit, then it is the increased deficit which raises employment (if there is room for additional demand) and not the job saving subsidy as such.

R. S. Musgrave.
24, Garden Ave.,
Framwellgate Moor, Durham

Today's Events

GENERAL

Mrs. Margaret Thatcher leaves for U.S.

Government talks with NCB and NUM on coal industry.

Water workers consider result of voting on wage offer.

TUC general council meets.

PARLIAMENTARY BUSINESS

Commons—Gas Levy Bill, remaining stages. Opposed private business

Lords—Short debate on need to strengthen air defence of UK. Short debate on Trident missile system. Marriage Enabling Bill, second reading.

Select Committees—Education. Subject: Secondary school curriculum and exams. Witness: Miss S. Browne, senior chief inspector. 10.30 am Room 8. Welsh. Subject: Welsh broadcasting. Witnesses: Welsh Fourth Channel Authority. 10.30 am and 4 pm. Room 6. Transport. Subject: Lorries and the environment. Witnesses: Sir Arthur Armitage, Sir Henry Chilver, Prof. P. Lawther and Miss Audrey Lees. 10.45 am. Room 16. Public Accounts. Subject: Assessment of Bilateral Aid. Witness: Sir Peter Preston, Permanent Secretary, Overseas Development Administration. 4 pm. Room 16. Transport. Subject: Transportation in London. Witnesses: London Boroughs Association. 4.15 pm Room 17. Employment. Subject: Department of Employment Group. Witnesses: Mr. C. Elliott, Mr. S. Mendham, ASTMS, Association of Professional, Executive, Clerical and Computer Staff, TGWU, Training Services Division of Manpower Commission. 4.30 pm. Room S.

COMPANY MEETINGS

BOC International, Lyric Theatre Hammersmith, W, 2.30. M and G Group, Three Quays, Tower Hill, EC, 2.45. J. F. Nash Securities, 75 Harbourne Road, Birmingham, 12.

UK COMPANY NEWS

Domestic side setback for NatWest

A SHARP fall in the contribution from domestic banking was responsible for lower 1980 pre-tax profits at National Westminster Bank, where the second half showed a downturn of some £40m to £185.2m and left the full year figure with a £31m shortfall at £410m.

Despite substantial growth in balance sheet volumes (parent bank sterling deposits are up 19 per cent) and another year of high interest rates, the domestic banking contribution fell in both actual and percentage terms; which declined from 69 per cent to 58 per cent.

This was mainly due to the need to make higher bad and doubtful debt provisions—£120m (£40m charged against 1980 profits)—in a particularly difficult period for industry, higher operating costs caused by inflation and a more costly mix of resources resulting from a rise in interest-bearing deposits and little growth in current account balances.

However, the contribution from international banking at 35(22) per cent rose in percentage and absolute terms. "A particularly pleasing performance taking into account the continuing competitive market conditions and a further strengthening of sterling," says Mr. Robin Leigh-Pemberton, chairman.

Largely reflecting the adverse impact of interest rates on Lombard North Central the related banking contribution at 7(9) per cent has declined in percentage terms and absolute terms.

With earnings per £1 share falling from 141.8p to 134.5p and a final of 12.25p lifting the net total dividend to 21p (17.5p), Mr. Leigh-Pemberton commented later yesterday that this increase was based on last year's statement that the bank wanted to maintain a dividend rate that was positive in real terms. "That is just about what this is if you look backwards."

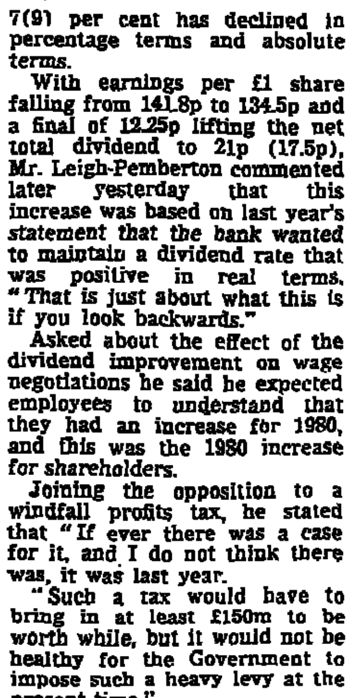
Asked about the effect of the dividend improvement on wage negotiations he said he expected employees to understand that they had an increase for 1980, and this was the 1980 increase for shareholders.

Joining the opposition to a windfall profits tax, he stated that "If ever there was a case for it, and I do not think there was, it was last year.

"Such a tax would have to bring in at least £150m to be worth while, but it would not be healthy for the Government to impose such a heavy levy at the present time."

He said that when the bank made its business plans for the current year it was estimating an average base rate of around 10.6 per cent, compared with 16.3 per cent in 1980 and 13.7 per cent in 1979.

Mr. Jeff Benson, chief executive, said the current expectation was for an average rate of more like 11 to 11.5 per cent but he could see it down to 10 per cent



Mr. Robin Leigh-Pemberton

by the end of the year. Questioned on speculation that there will be a cut of at least 3 per cent in MLR in the Budget he said "I had been expecting 2 per cent ad I think I would hold to that. I would find three a little optimistic in relation to the Government's policies."

In his statement with the profit announcement, Mr. Leigh-Pemberton says falling interest rates, together with subdued loan demand and increased operating costs, are likely to impact adversely on 1981 profits.

He drew particular attention to CCA profits, which he said reflect the real trend of results. "Down from a restated £336m to £243m they demonstrate that in a period of high inflation a large element of historic profit —£198m in 1980—needs to be set aside simply to maintain the level of working capital."

For 1980 the group trading surplus totalled £409m (£447m), share of associates amounted to £20m (£15m) and the allocation to the staff profit sharing scheme took £19m (£21m).

Tax absorbed £92m (£112m), there were minority profits this time of £1m (same) and an extraordinary debit of £7m, compared with a credit of £3m. The attributable balance fell from £330m to £309m, dividends cost £50m (£41m) and £259m (£289m) was retained.

Of the £353m (£266m) total group provisions for bad and doubtful debt, £238m (£175m) is in specific reserve and £115m (£91m) in general.

	1980 £m	1979 £m
Group trading surplus	409	447
Share of assoc.	20	15
Staff profit-sharing	19	21
Profit before tax	410	441
Tax	92	112
Net profit	318	329
Minority profits	1	1
Pref. dividends	1	1
Extraordinary debit	7	*3
Attributable	309	330
Interim dividend	21	17
Final	29	24
Retained	259	289

* Credit.

See Lex

Aquis climbs to £570,000

DOUBLE SECOND-HALF profits more than offset the mid-year reduction at Aquis Securities giving the property investment, development and hotels group an increase in 1980 pre-tax surplus from £394,008 to £570,679. At half-time, the result was down from £154,058 to £91,595.

Tax for the year took £297,877 (£112,816 reduced by permanent release of £127,000 stock relief) and earnings per 5p share fell from 1.1p to 1.05p basic, or from 0.99p to 0.96p diluted.

But, a higher final dividend of 0.6p (0.5p) raises the total net payment from 0.725p to 0.9p per share, absorbing £226,125 (£182,156).

Yearly income dropped from £2.96m to £1.67m. Losses from hotel trading rose from £11,118 to £111,685, while the property development contribution declined to £11,792 (£300,549). Group profits, however, were boosted by a surge in interest receivable from £6,344 to £561,607 and lower interest payable of £330,081 (£495,025).

Rents, less expenses, from UK properties decreased from £670,825 to £485,853, although the deficit in Belgium fell to £46,807 (£77,567).

Extraordinary credits of £3.39m (£0.26m debits) arising mainly from the sale of freehold property have been transferred to capital reserve (from reserve).

CU profits drop 25% as underwriting loss soars

PRE-TAX profits of Commercial Union and Assurance Company declined by one-quarter last year, because of a much higher underwriting loss and only a marginal rise in investment income.

Underwriting losses amounted to £57.3m in 1980 against £21.3m in the previous year, with losses in the U.S. quadrupling from £8.3m to £31.8m, while in Canada there was a loss of £11.9m against a small profit of £0.4m in 1979.

Investment income net of loan interest rose 2 per cent from £141m to £143.8m, while life profits were over £1m lower at £15.2m. Pre-tax profits declined 25 per cent in 1980 from £137.6m to £103.2m.

However, a lower tax charge softened the decline, leaving profit attributable to shareholders down nearly 17 per cent from £91.8m to £76.5m, with earnings per share of 18.61p compared with 22.34p.

The final dividend is lifted by 0.6p to 6.4p, making a total net dividend for 1980 of 10.8p against 9.8p. The grossed-up payment is 15.429p compared with 14p.

The whole pattern of results was adversely affected by the continuing strength of sterling. Worldwide premium income increased by only 2 per cent in sterling terms from £1.15bn to £1.17bn. But the underlying growth, allowing for changes in exchange rates and sales of majority holdings in various territories, was 17 per cent—compared with 12½ per cent in 1979. The growth was in line with the group's plans. The underlying rate of growth in investment income was 15 per cent, while life profits, lower in sterling terms, showed an 8½ per cent growth last year.

Had exchange rates remained steady last year, pre-tax profits would have fallen by around 20 per cent and attributable profits by less than 10 per cent.

Premiums increased by 15 per cent last year in the U.S. compared with an industry average of 7 per cent. The statutory claims ratio rose from 69.4 per cent to 70.7 per cent—two points better than the average. But the expense ratio continued to rise from 33.1 per cent to 34 per cent leading to a statutory operating ratio over two points worse than the average at 104.7 per cent, against 102.5 per cent for 1979.

The company attributes the declining expense ratio to implementation costs of pursuing the long term strategy of achieving both greater profitability and a higher share of the market. The costs of developing new computer systems account for one point in the statutory expense ratio.

Motor and liability results in the U.S. were worse than in 1979, while the property account was hit by increased weather losses. Workers' compensation results improved significantly and showed a small profit.

Trading conditions in Canada were extremely poor throughout the year, with intense competition at inadequate premium rates. Insurers are now showing a more responsible attitude and CU has made substantial rate increases at the beginning of this year, although more will be needed to balance the account.

Premium growth in the UK was over 25 per cent, but the underwriting experience deteriorated with a loss of £2.3m in 1980 against a £3.5m profit. Liability business was particularly poor and further rate increases will be necessary. The motor account produced a loss of £2m but the company is holding premium rates for 12 months until July 1.

There was a marked improvement in the Netherlands with the underwriting loss cut from £10.7m to £3m. Motor business achieved a satisfactory profit and the market appears to have stabilised. Elsewhere, profits in the Far East were more than offset by losses in Western Europe. The annual review of the marine and aviation account resulted in a release of £3.2m profit.

See Lex

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Aquis Securities	0.6	May 1	0.5	0.9	0.73
Commercial Union	6.4	May 15	5.8	10.8	9.8
Hong Kong Tin	20‡	—	11.25	30	51.25
'Investing in Success'	3.7	Apr. 30	3.1	4.9	4.9§
Medminster ......int.	1.5	Apr. 8	1.1	—	2.7
NatWest Bank	12.25	Apr. 3	10.25	21	17.5
Rights & Issues Inv.	2.8	—	2.48	3.8	3.48
Vantona Group	5	July 1	5	8	8
Anglo-Int. Tst.	3	April 6	3	5	4.5

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Gross throughout. § Includes special non-recurring payment of 0.75p.

Medminster higher at half-year

A buoyant six months left Medminster, the furniture, freight and shipping group, with pre-tax profits up from £105,424 to £165,811 for the half year to December 31, 1980. The interim dividend is lifted from 1.1p to 1.5p.

Turnover for the shipping and freight agencies remained steady at £4.75m (£4.79m) but furniture hire and sale revenues were up to £455,595 (£307,085). Taxation of £63,000 (£38,500) left net profits at £102,811 (£66,924). Depreciation was up to £44,260 (£29,171) but interest charges dropped back to £15,855 (£16,398). Retained profit was £72,811 (£44,924).

Mr. John Delaney, chairman, says in his report that the overall position with the shipping and freight companies is an increase in their profits for the half year on a similar revenue. The group's cash balances currently stand at something in excess of £200,000.

Vantona down £4m: payout held

DESPITE A slump in profits at the pre-tax level from £8.57m to £4.29m Vantona Group is maintaining its dividend at 8p net for the 12 months to end-November, 1980, with a same-again final of 5p. Turnover dipped from £117m to £109m.

At the interim stage taxable profits of this manufacturer of household textiles, fashion fabrics, garments and foundation garments showed a 65 per cent drop to £1.42m, compared with £4.02m.

The directors state that while the results for the year as a whole are disappointing, the second half figures indicate an appreciable improvement. In the second six months steps taken to reduce overheads further began to have effect, while sustained effort in design improvement and product development helped to maintain gross profit margins.

The directors add that notwithstanding energy and other State monopoly price increases which occurred in the period, the trend of pre-tax profits for the second half improved and were only 37 per cent down on the corresponding period for 1979—a record year.

Summing up, they say the overall shortfall in profits for the year can be attributed to reduced turnover at maintained margins offset by considerable savings in overheads.

Tax, however, was considerably lower at £72,000 (£451,000) leaving stated earnings per 20p share of 16.2p (36.3p) and a net balance of £4.22m (£8.12m).

Profit attributable for ordinary shareholders came through at £3.56m (£7.21m) after an extraordinary credit of £74,000 (£537,000 debit), minorities and preference dividends of £734,000 (£374,000).

The directors point out that total borrowings for the year have been reduced by £1.2m to £6.6m, despite capital expenditure of £4.1m, and total working capital is well under control with stocks reduced by £4.1m.

On a CCA basis the pre-tax profit is reduced to £300,000.

● comment

Vantona has had a much better second half than anyone expected, lifting the pre-tax figure some £0.75m clear of the most optimistic estimates. Fairly aggressive action has brought stocks of raw materials down to a level which is considered to be acceptable, and borrowings have been reduced to a more comfortable 15 per cent of shareholders' funds. Labour productivity has been improved, and capital has been updated to make more efficient use of fuel in energy-intensive processes such as fabric printing. The improvement in sales of household textiles in the final two months together with longer order books than a year ago, suggests that the current year may see something of this recovery; but higher potential sales are not expected to be realised in full until the second half. The shares moved ahead 10p to 108p, where the maintained final brings the yield to 11 per cent, twice covered by the historic earnings, though not by CCA earnings. A fully-taxed p/e of 9.7 is probably not too burdensome.

Double Eagle seeks aid from capital markets

Canadian oil exploration company Double Eagle is planning to raise more money in the next few months according to Mr. Robin Andrews, a director of the company and a stockbroker with Mead and Co., the subsidiary of Canadian brokers Walwyn Stodgell.

But the financing, to be used in further exploration for oil and gas, will not be through a public offering. "Vancouver is so regulated at the moment that it takes about four months to get an issue through. We will raise the money through other means," explained Mr. Andrews.

The money is to be raised on various capital markets, including London, he added.

Double Eagle also released a progress report yesterday, indicating that production is now in progress at Simpco Gill No. 1, a well in Oklahoma. The daily rate stated is "around 150 barrels of oil and 262,000 cubic ft of gas."

Mr. Andrews explained that the exact figure of 150 barrels represented one day's production at the Oklahoma well. "We wanted to make the point that we are not going bust and there is some cash flow," he said. He estimated the cash flow from Double Eagle's stake in the well at $70,000 (£31,000) a month.

Meanwhile, testing was completed on a second well, Simpco-Crain No. 1. The well yielded "an accumulated gauged rate of 110 barrels of oil per day" according to the company.

Yorkshire Spinners relisting

Yorkshire Fine Woollen Spinners is applying to the Stock Exchange today to have its ordinary and preference shares readmitted to the Official List.

The shares were suspended in January at 27p pending publication of details of the group's acquisition of some of the assets of A. W. Fabrics from the Receiver at Cope Sportswear for £1.4m.

The acquisition is to be financed in part through a rights issue of 629,078 11 per cent cumulative redeemable convertible preference shares of £1 at par. The group is also applying today to have these new shares admitted to the Stock Exchange list.

The rights issue is on the basis of two convertible preference shares for every five ordinary shares held on February 16. The new shares are convertible to ordinary shares at the rate of 10 ordinary for every three preference held, or 30p a share at the issue price between 1981 and 1988. The issue has been underwritten by Barclays Merchant Bank and net proceeds will be £560,000.

Yorkshire Fine Woollen reported a pre-tax loss of £291,000 in 1980, compared with a loss of £56,000 in 1979. Turnover was £3.96m compared to £3.8m. A.W. Fabrics is said to have been trading profitably at the time of the acquisition last December.

A pro-forma balance sheet taking into account the proceeds of the rights issue and the A.W. acquisition shows net tangible assets attributable to ordinary and convertible preference shareholders of £1.69m. There are £2.7m of fixed assets. Bank borrowings amount to £755,000 and there is a £1.1m medium-term loan and £165,000 attributable to the 3½ per cent preference share capital.

The directors are optimistic about the current year and hope that a dividend payment can be restored in 1981.

Brokers to the issue are J. Stephens and Co.

● comment

Yorkshire Fine Woollen has an undistinguished profit record over the past decade but the disposal of two unpromising businesses in the past three years and especially the recent acquisition of A.W. Fabrics could transform the group's prospects Both Yorkshire Fine and A.W. Fabrics have invested heavily in plant modernisation and should do well in any recovery. The convertible preference shares in the rights issue carry a high coupon and may be especially attractive to long-suffering ordinary shareholders who have not seen a dividend from this company since October, 1979. However, the group's capital gearing remains very high so profits this year could be modest. The ordinary shares may rise slightly from the 27p suspension price when dealings resume on Monday but trading will probably remain quiet. Net assets per share are about 45p fully diluted.

RECEIVERS FOR KELSALL GROUP

At the request of the directors of six companies within the K. C. Kelsall Group of Companies, the debenture holders have appointed Mr. Gordon Horsfield and Mr. David Hancock of accountants Price Waterhouse as joint receivers.

The companies concerned are: the K. C. Kelsall Group of Companies, Kelsall Demolitions, Northern Explosive Services, Safeway Insulation, Hercon Plant, and Macol Industrial Clothing.

The receivers are seeking means of keeping the businesses trading, where appropriate, with a view to their sale as going concerns.

Assam expects 'substantially lower' profits

The continuing depressed state of the tea market, both in India and in the UK, has adversely affected trading of Assam Frontier Tea Holdings, says the Board. Increased costs have also left their mark.

The company's final results will depend largely on the market price of tea for the remainder of the year, but profitability will inevitably be substantially reduced.

Since the publication of the annual report, the company has received remittances from India totalling £1,043,000

Costain Australia jumps 66%

AFTER-TAX earnings of Costain Australia jumped over 66 per cent to A$5.7m for 1980, on turnover 20 per cent higher at $127.6m, and the company is making a rights issue of one-for-four at $2.40. This will be payable as to $1.20 on April 15 and $1.20 on October 30.

Costain Group, the UK parent company which currently holds 66⅔ per cent of the equity, has indicated that it will take up its full entitlement.

A final dividend of 6 cents raises the total payout from 9 cents to 10 cents and this rate is expected to be maintained in 1981. The new shares, however, will only rank for half this year's interim.

The purpose of the rights is to maintain a suitable capital structure for the group to cover working capital requirements and an increasing commitment to long-term resources investment.

This commitment is reflected through the increase in equity in the Warkworth project to 35 per cent and the recent decision by Warkworth Associates to expand the output of the mine to 2.5m tonnes per annum by 1983.

In addition, the Ravensworth mine is also being increased in capacity and new plant has been installed to enable output to increase to 5m tonnes per annum for this year.

On the year's results, the board says the Pearson Bridge contribution has been a major factor and the integration of the Pearson Bridge operation has been most successful, further strengthening the diversification of the group.

Output from the Ravensworth mining operation was 3.971m tonnes, 366,000 tonnes below last year, but slightly above the contractual requirement.

Construction, housing and development divisions showed good results in New South Wales and Queensland, but were still depressed in Victoria.

INVESTMENT TRUSTS

'INVESTING IN SUCCESS'

Net revenue of "Investing in Success" Equities was down from £348,823 to £316,410 in the year to January 31, 1981.

The final net dividend is raised from 3.1p to 3.7p for a total of 4.9p, equal to last year's total which included a special non-recurring payment of 0.75p. Dividends again absorb £299,880.

Total assets have increased from £17.37m to £22.92m, and the asset value per 25p share is 309.2p (235.43p).

RIGHTS & ISSUES

Revenue for 1980 of Rights and Issues Investment Trust improved from £109,098 to £127,321 after a higher tax charge of £68,746, compared with £59,807.

The dividend on the income shares is being stepped up from 3.48p to 3.8p net with a final of 2.8p (2.48p). The dividend on the capital shares is raised to 0.19p (0.174p).

Stated earnings per 25p income share were higher at 4.583p (3.976p) and on the 25p capital shares earnings are given as 0.229p (0.1999p). Net asset value per income share was 40.3p (36.7p) and for the capital shares 77.1p (64.4p).

ANGLO-INTL.

After a lower tax charge of £143,561, compared with £156,386, revenue of Anglo-International Investment Trust for 1980 slipped from £324,831 to £296,816. However, the dividend is being increased from 4.5p to 5p net with a same-again final of 3p.

The attributable profit was marginally higher at £300,000 (£270,000) after a transfer from contingency reserves of £3,184, against a transfer to the reserve of £54,831.

Net asset value per 25p asset share at December 31, 1980, was 262.4p (209.33p).

SPAIN

February 24	Price %	+ or −
Banco Bilbao	283	
Banco Central	323	
Banco Exterior	260	+2
Banco Hispano	285	
Banco Ind. Cat.	125	
Banco Madrid	141	
Banco Santander	332	
Banco Urquijo	183	
Banco Vizcaya	310	
Banco Zaragoza	232	
Dragados	126.5	+2.5
Espanola Zinc	59	+2
Fecsa	58.2	
Gal. Preciados	34	+0.5
Hidrola	64.5	+0.5
Iberduero	58.2	
Petroleos	90.2	+1
Petroliber	70	
Sogefisa	102	
Telefonica	61.7	
Union Elect.	63.5	−0.2

B. S. Whiteley calls a halt to share dealings

B. S. and W. Whiteley, a loss-making electrical insulating pressboard manufacturer in which Swiss shareholders have a substantial stake, has called a halt to dealings in the company's shares pending an announcement.

At the suspension price of 8p this West Yorkshire company's £983,000 equity is valued at £315,000.

No directors of the company were available for comment yesterday but Robert Fleming and Co., the group's merchant bankers, said that a statement was expected to be issued today.

Whiteley, which manufactures its main products under the "Elephantide" name, reported sharply lower profits down from £356,004 to £187,344 in the year ended March 31, 1980. In the first half of the current year there was a loss of £266,296, compared with a profit of £100,592 previously.

Last October the company announced that it was planning to sell a large part of its South African subsidiary to Power Technologies, a local group. In the group's interim statement the directors said that if the sale agreement became operative the effect on the first half results would be a pre-tax loss of £324,072.

Swiss shareholders have a 29.46 per cent stake in the group. This comprises a 9.76 per cent by Gebr Oswald; H. Weidmann 9.94 per cent; and Gewerbebank 9.75 per cent. The Prudential Assurance Company has a holding of 6.996 per cent and the directors control some 12 per cent of the shares.

RUO CUTS DIVIDEND

Turnover for the year to June 30, 1980, at Ruo Estates Holdings was £1,221,598, down from £1,289,320 for 1979. Pre-tax profits were £130,606 (£300,519) before tax of £30,025 (£123,778).

Earnings per 25p share declined from 13p to 7.4p. The dividend is being reduced from 4.5p to 1p and will be paid when funds become available.

High spending at Webber Electro

Capital spending at Webber Electro Components has been high by historical standards, says Mr. Anthony Webber, the chairman, in his annual statement. The company, which is the UK's sole maker of automatic solenoid valves, is traded under Rule 163 (2) for unlisted securities.

The main expenditure has been incurred in the development of and tooling for the new mini solenoid valve, which will be launched this spring. Reaction to pre-production samples by large potential users has been most encouraging, states Mr. Webber, who is confident the company will make considerable impact on the traditional market with this product.

Further spending has been made on other significant developments and the company's new laboratory and design offices, which are now substantially completed, will help it remain in the forefront of its specialised field of technology.

The company is feeling the effect of de-stocking and the strong pound is beginning to affect many of its customers. However, the chairman says Webber will benefit from its broader base, the mini solenoid valve and other promising developments, and its financial strength.

As reported February 11, profits for the year ended September 30, 1980, were £162,253, against a forecast of not less than £140,000. The dividend is the promised 3.5p net, the final being 1.75p.

On the home market, the most significant progress has been in the penetration of new market sectors, which has increased potential outlets for company products and given it a much broader customer base.

In exports, a distributorship has been granted in New Zealand to a leading engineering company with a strong fluid power marketing division, while discussions are well advanced with a leading Australian group.

The strong pound has temporarily frustrated efforts in Europe, but there is significant potential through products in development.

Essex Water's proposal to cover future requirements

THE DIRECTORS of Essex Water Company propose to increase the combined authorised capital and loan stock from the present level of £80m to £100m at an extraordinary general meeting to be arranged.

The company's existing capital powers provide for the issue of just over £1.5m of additional capital or loan stock, a figure which the Board feels is inadequate to meet the requirements of the company for forthcoming redemptions of capital and other capital expenditure.

In common with the water industry generally, Essex Water Company is this year extending to all consumers the option to have a metered supply. The present relatively high costs of metering, however, are likely to make it uneconomic for ordinary households to change to the metered supply tariff. Mr. Peter Brassey, the new chairman, says this can be advantageous for larger commercial premises where water demands are low and rateable values high.

Charges will be substantially increased in April. The small increase in charges last year turned out to be insufficient to meet rising costs. Mr. Brassey says the increase has to cover more than one year's inflation.

Construction of the 2.7m gallon service reservoir at Bowers Gofford, which will improve supplies to Canvey Island, is nearing completion.

As known, the pre-tax surplus for the year to December 31, 1980, was down from £4.54m to £2.48m. On a CCA basis the pre-tax surplus was £0.4m.

Meeting, Great Eastern Hotel, Bishopsgate, EC, March 17, at noon.

YEARLINGS DOWN

The interest rate for this week's issue of local authority bonds is 12⅜ per cent, down ⅜ per cent from last week. The bonds are issued at par and are redeemable on March 3, 1982.

A full list of issues will be published in tomorrow's edition.

BIDS AND DEALS

Lonrho—Fraser battle on as OFT panel sits

BY JOHN MOORE

THE mergers panel of the Office of Fair Trading is meeting today to consider Lonrho's 150p cash bid for House of Fraser, the Harrods stores group.

The panel will consider the submissions of both Lonrho and House of Fraser about the bid, which is being vigorously opposed by the stores group.

House of Fraser has been arguing that the bid should be referred to the Monopolies and Mergers Commission in its campaign to ward off the Lonrho approach.

The Office of Fair Trading is expected to make its recommendation known to Mr. John Biffen, the Trade Secretary, on whether the bid should or should not be referred to the Monopolies and Mergers Commission by the end of this week.

Representatives from key government departments will form the OFT's merger panel.

On the panel will sit representatives from the Department of Industry, the Department of Trade, the OFT and the Treasury.

They will sift evidence submitted by the various interested parties and offer advice to Mr. Gordon Borrie, secretary general of the OFT.

Taking into account the panel's advice, Mr. Borrie will then form his own decision on the implications of Lonrho's bid.

Lonrho is considering sending out a circular to Fraser shareholders this week as part of its campaign to win its battle.

Lonrho's annual report and accounts will be dispatched to its shareholders tomorrow.

And, as the tempo quickens, Fraser will distribute its major defence document, also tomorrow, to its shareholders.

The defence document, five pages long with appendices, is likely to reveal a revaluation of group assets, and an indication of profits for the financial year ending in January.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals.

TODAY

Interims: BPM, British Assets Trust, Commercial Bank of Australia, Harrisons Malaysian Estates.

Finals: Berisfords, T. F. and J. H. Braime, Carrington Viyella, International Investment Trust, Olives Paper Mill, Western Selection and Development, Williamson Tea.

FUTURE DATES

Interims—	
Ayer Hitam Tin Dredging Malaysia	Mar. 3
Consolidated Gold Fields	Mar. 4
Finals—	
Canning (W.)	Mar. 16
Comben	Mar. 5
De Beers Consolidated Mines	Mar. 10
De Beers Indust. Corporation	Mar. 10
Grindlays Holdings	Mar. 3
Jourdan (Thomas)	Mar. 5
Metal Closures	Mar. 25
Nesco Investments	Feb. 27
Prudential Corporation	Mar. 25
Tiger Oats and Nat. Milling	Mar. 18

Kuwaitis add to Savoy stake

The Kuwait Investment Office has added to its large stake in the Savoy Hotel—also owner of Claridge's, the Connaught, the Berkeley, and Simpson's restaurant—with the purchase of 500,000 "A" shares, bringing its holding up to 9.4m (34.1 per cent).

Because of the Savoy's heavy weighting of votes in favour of the "B" shares, of which the KIO also has a slice, the Kuwaitis now have just over 21 per cent of the voting rights.

Though they have so far made no moves to put a representative on the board, and tend not to do so in companies where they own minority stakes, Arab investment sources indicate that this is being considered. The KIO's stake in the Savoy is worth nearly £11.5m.

The KIO's latest tranche of shares came from RIT (formerly Rothschild Investment Trust), which sold a large amount of shares to the Kuwaitis last year. RIT is now left with a small stake of some 500,000 shares.

Hawthorn accepts higher offer and Starwest gains control

Starwest Investment Holdings, the private investment company controlled by Mr. Remo Dipre, yesterday gained control of Hawthorn Leslie, the electrical and engineering group, following an increase of 17p per share in the offer which has won the recommendation of the Hawthorn board.

The Hawthorn directors, with around 10 per cent of the capital, are recommending shareholders to accept the new offer of 147p per share for the ordinary shares which values the Hawthorn capital at £3.95m. The shares fell 4p to 144p yesterday.

With the directors' shareholding Starwest has control over some 55 per cent of the Hawthorn capital. Starwest already owned 41.52 per cent of the capital and received acceptances of 3.51 per cent to its original offer. Starwest is also increasing its offer for the preference shares from 45p to 55p.

Mr. Gordon Conradi and Mr. Gordon Marks, directors of British Central Electrical Company (Hawthorn's main subsidiary) will be invited to join the Starwest board on the offer becoming unconditional. Mr. Keith Chapman, managing director of Hawthorn declined an invitation to join the board.

Mr. Chapman said yesterday that Hawthorn received all the assurances it had sought from Starwest, which included compensation for the Hawthorn board. Hawthorn had never sought a bidder but "it would have been hard to defend" the increased offer to shareholders. "It was a price that can be recommended," Mr. Chapman said.

The Coopers now have 3% of Whitley

Having raised the bidding for Whitley Bay Entertainments to nearly £1.4m, Mr. and Mrs. Claude Cooper have bought further shares in the market to bring their stake above 3 per cent.

The Coopers, who have leisure interests in the north-east and Scotland, bought 8,025 shares last week and a further 8,000 yesterday at their 280p offer price through Newcastle stockbrokers Wise, Speke.

A spokesman for the Coopers said yesterday that wide support had been expressed for their bid from shareholders of Whitley Bay, for which Granada, the television and leisure group, has already bid £1.05m. Its offer closed last Friday with acceptances of 46.8 per cent and has been extended for a week.

Mr. Harry Swaddle, head of Harry Swaddle (Coliseum), has indicated his intention at this stage to put his 9.76 per cent behind the Coopers' bid. His earlier bid attempt was topped by Granada which raised its terms in December.

Dawn raid for 15% of Gaskell

Stockbrokers Rowe and Pitman yesterday sought to buy a near 15 per cent stake in Gaskell Broadloom, the carpet distributor, on behalf of an unnamed client. A purchase price of 64½p per share was being offered for a maximum holding of 638,000 shares.

On the London stock market shares in Gaskell Broadloom rose 20p to 65p which placed a value of £427,700 on the stake being sought, and £2.85m on the whole of the company's equity.

After yesterday's trading the mystery buyer was some way towards its purchase. A stake of around 275,000 shares was believed to have been built up giving the buyer over 6 per cent.

Most of the purchases were being made from private shareholders, as there is only small institutional interest in Gaskell.

In Gaskell's last reported financial year, ending December 31, 1979, earnings before tax were £1.1m compared with £1.04m.

For the first six months of 1980 pre-tax profits were £314,506 compared with £532,724.

The chairman, Mr. M. H. Horton, attributed the reduced profits to the world-wide recession, high interest rates and the strength of the pound. The Board declared a maintained interim dividend of 1p.

Gaskell last year acquired Hothfield Carpets at a cost of £2.7m, mostly satisfied by a cash payment. Some £1.3m was paid on acquisition with the remainder in three annual instalments. The initial payment was met out of a medium-term bank loan of £1.25m.

Major shareholders in Gaskell Broadloom shown in the last accounts were ITC Pension Trust and ITC Pension Investments with 262,500 (about 6 per cent); and Mrs. R. M. Gaskell, who had a beneficial interest in 246,470 ordinary shares and an interest as trustee in 245,000 ordinary shares.

EXCO TO TAKE REST OF GODSELL

Exco Securities (1979), the parent company of the Astley and Pearce money broking group, has agreed to exchange shares for the remaining minority holding in the Godsell Group of money brokers. Exco will then own all the capital of both money broking groups.

There will be no change in the management of the two groups, which will continue to operate independently from their present separate locations, with the Boards of Astley and Pearce and Godsell having responsibility for the day-to-day operations of their respective groups.

Francis bid for Evered lapses

The Francis Industries bid for Evered has lapsed in the face of low acceptances.

It was announced yesterday evening that the 22p a share offer attracted acceptances of only 579,234 shares, representing just 9.94 per cent of the Evered capital. This included a 4.2 per cent holding from the Evered board.

Francis launched its offer for fellow engineering group Evered just before Christmas. The offer price for the preference capital was subsequently increased after board opposition — preference shareholders accepted as to 53.59 per cent — but despite rejection by some outside shareholders Francis last week declared its determination not to increase its ordinary offer.

Though the Evered board accepted, the bid was opposed by a group of Saudi businessmen. This group increased its holding in Evered from 12 to 29.96 per cent at prices above Francis' bid and urged fellow shareholders to reject the 22p a share offer.

Other Saudi interests were believed to have picked up 7.57 per cent of Evered through the market and another Midland engineering group, Astra Industrial, increased its stake to 16½ per cent at prices above 22p.

The Evered share price closed yesterday at 23½p before news of the lapsed bid. The Saudis have made it clear that they do not intend to launch a bid though they want to become more involved in Evered's future and believe they can influence future orders from the Middle East.

MORGAN GRENFELL'S STAKE IN M. F. NORTH

Following the sale of nearly 23 per cent of the shares in temperance hotel group M.F. North last week, Morgan Grenfell Special Exempt Fund has bought a stake of 7.2 per cent (1.8m shares).

Last week's sellers were the Abingworth investment group and the Kaye brothers, Phillip and Reginald. Abingworth had around 11 per cent and the Kayes nearly 12 per cent.

ANGLO INDONESIAN/ EVA INDUSTRIES

Mr. T. R. Astley, chairman of Eva Industries, says in a letter to shareholders—referring to the offer by Anglo Indonesian Corporation—that the Board, other than Mr. M. D. Nightingale and Mr. R. M. Robinow, who are concert parties with Anglo, will be writing to shareholders shortly advising on the offer.

In the meantime, shareholders are advised to take no action with regard to their holdings.

FERRANTI

Ferranti, the UK electronics group, has bought a 14 per cent stake in Vector General, a Californian company which makes computer-aided design and computer graphics equipment.

The purchase is to help Ferranti, which has a subsidiary making similar equipment, enter the fast-growing U.S. computer aided design market.

BODYCOTE INT.

Bodycote International has acquired Bright Brazing from a subsidiary of Williams Hudson Group, for an immediate cash payment of £52,700. A further acquisition in the field of metal treatment services, involving some £457,000, is expected to be completed before the end of March. Both acquisitions implement Bodycote's policy of diversification away from traditional textile areas.

SHARE STAKES

F. Pratt Engineering Corporation—Norwich Union Insurance Group disposed of 110,000 shares and now holds 299,000 (5.49 per cent).

United Dominions Trust—Trustee Savings Banks central board acquired 10m ordinary shares (8.05 per cent).

Sterling Credit Group—On February 2 Mr. J. Rooke, director, acquired 480,000 A Ordinary shares and disposed of 550,000 ordinary shares.

Rediffusion—Holding of ordinary shares by Philips Electronic and Associated Industries on February 12 fell to 9.99 per cent (10.05 per cent).

Federated Land — Industrial and Commercial Finance Corporation disposed of 100,000 shares.

RESULTS AND ACCOUNTS IN BRIEF

CHARTER TRUST AND AGENCY—Results for November 30, 1980, year already known. Investments £43.07m (£30.48m). Shareholders' funds £40.54m (£29.21m). Meeting, 20, Fenchurch Street, EC, on March 12, 2.30 pm.

GREAT NORTHERN INVESTMENT TRUST—Results for year ended November 30, 1980, already known. Investments £87.07m (£84.95m). Shareholders' interest £85.74m (£83.68m). Meeting, Glasgow, March 16, noon.

ERNEST JONES (JEWELLERS)—Results for year ended September 27 and prospects, reported February 18 in full preliminary statement. Shareholders' funds £6.45m (£5.32m). Bank overdrafts £1.08m (£0.74m). The company has "close" status. Meeting, Institute of Directors, SW, March 18, noon.

JOS HOLDINGS (investment trust)—Interim 1.075p (1p). Net earnings £82,940 (£83,412) after tax £42,427 (£46,587). Earnings per share 1.68p (1.69p), net asset value 78.7p (71.2p).

F. PRATT ENGINEERING CORPORATION—Results for year ended October 31, 1980, reported January 31. Shareholders' funds £12.06m (£11.18m). bank and cash balances £189,000 (£81,000). short-term loans £1.65m (£360,000). bank overdraft £1.46m (£1.31m). Chairman believes activities of Hamblin and Wingate (Holdings), acquired last July, will be of material benefit to group's prosperity. Meeting, Grosvenor House, W, March 18, noon.

ROMAI TEA HOLDINGS—The board anticipates that the annual report will be published during the early part of March.

WHATLINGS (building contractor and civil engineer)—Results for year ended September 30, 1980 and prospects reported January 23 in full preliminary statement. Shareholders funds £2.71m (£2.18m). Bank overdrafts £0.39m (£0.91m). Meeting, Great Eastern Hotel, EC, March 19, noon.

MINING NEWS

EZ profit hit in first half

BY KENNETH MARSTON, MINING EDITOR

HARD ON the heels of disappointing half-year results from Australia's Peko-Wallsend mining and engineering group comes news of an even sharper fall in earnings of the company's partner in the Ranger uranium venture, EZ Industries.

EZ's net profit for the 28 weeks to January 7 has fallen to A$8.7m (£5m) from A$33.1m in the same period of the previous year. An interim dividend of 8 cents (3.6p) is declared on the shares which are now all fully paid. It absorbs A$3.78m.

A year ago an interim of 20 cents was declared on the fully paid shares and 4 cents on the then partly paid, this absorbing a total of $A11.1m.

The latest profit includes A$3.1m from interest received on loans of A$30m to Energy Resources of Australia plus a write-back of deferred income tax no longer required. Earnings were also cushioned by doubled investment income of A$8.5m.

EZ says that the fall in profits reflects continuing weakness in prices of lead, copper, silver and gold together with the serious loss of production occasioned by the seven-week strike at the Tasmanian West Coast Mines.

Lead prices received fell by 32 per cent, copper 17 per cent, silver 41 per cent and gold 2 per cent. Shipments of lead concentrate were down by 56 per cent, copper concentrate 34 per cent and lead residue 29 per cent. It is added that mine production has not yet returned to the pre-strike level.

On the brighter side, development of the Ranger uranium project for ERA (in which EZ has a 30.8 per cent holding) is on schedule and following a contract with the Swedish OKG power utility ERA's initial projected output of 3,000 tonnes of uranium oxide a year is sold through to 1990.

It is expected that there will be a contribution to EZ profits in the year ending June 1983 from ERA and the new Elura lead-zinc-silver mine being developed in New South Wales. The Golden Grove copper-gold deposit in Western Australia is stated to have "considerable promise for the development of a new mine."

EZ has been a persistent buyer of shares in North Broken Hill, the Melbourne mining and investment house. As a result EZ has raised its holding in the company to 15.85 per cent. There is little market in London in the shares of EZ but they were reckoned to be 15p down at a nominal 270p yesterday.

Cyprus Anvil to buy into Canadian gold prospect

CANADA'S Cyprus Anvil Mining has started negotiations with Amoco Minerals, a wholly-owned subsidiary of the U.S. oil company Standard Oil of Indiana, with a view to acquiring Amoco's 50 per cent interest in the Detour Lake gold prospect in Canada, reports John Soganich from Toronto.

The other participants in the C$143m (£55m) Detour Lake project are Dome Mines of Canada, with 25 per cent, and a Dome subsidiary, Campbell Red Lake Mines, also with 25 per cent.

In fact, it seems that the deal will amount to little more than a reshuffling of interests within the giant U.S. oil company. Cyprus Anvil Mining is a 63 per cent-owned subsidiary of the Los Angeles-based Cyprus Mines, which is in turn wholly-owned by Indiana Standard.

Campbell Red Lake is operator at Detour Lake, 125 miles north-east of Timmins on the Ontario-Quebec border. Production is expected to begin late in 1983 from an open pit, with a planned initial mining rate of 2,000 tonnes of ore a day. This should give an annual gold production of around 88,000 oz.

The mill capacity is to be raised to 4,000 tonnes a day in 1987, when underground mining operations will start and the open-pit will be gradually phased out.

By 1988, when Detour Lake should be producing some 175,000 oz of gold a year, it is expected to be the second largest gold producer in Canada behind Campbell Red Lake's own operation. It will also be among the lowest cost underground gold operations in the country.

Ore reserves are estimated at 27.7m tonnes, with a low average gold grade of 3.9 grammes per tonne.

The operation should have a life of at least 20 years, and the participants believe that the potential for additional tonnage is excellent.

Burnett & Hallamshire Philippines venture

The UK mining and engineering concern, Burnett and Hallamshire is to play the leading role in a consortium with two Philippine companies, Marcopper Mining and Isabela Coal and Energy, formed to explore coal deposits in a 15,000 hectare (58 square mile) area in Isabela, northern Philippines.

The exploration service contract covering two years calls for the drilling of 90,000 feet of exploratory holes and a minimum expenditure of Pesos 16m (£950,000). Burnett and Hallamshire will shoulder 75 per cent of the total project cost, Marcopper 23.5 per cent and Isabela 1.5 per cent.

The contract area is believed to contain some 300m to 500m tonnes of coal suitable for open-pit mining. As part of the deal, the State-owned National Power Corporation is to construct a 300 megawatt coal-fired power station at the minesite and will buy the consortium's coal output.

Outlook for Gopeng

LOWER BUT "not unsatisfactory" results for the current year to September 30 are expected by the UK-registered producer of tin and rubber in Malaysia, Gopeng Consolidated.

Tin production has been affected by wet weather but it should improve when the new Sanglop Valley operations come into full production. Rubber output has been running at a slightly lower level owing to the replanting programme.

In his statement with the annual report the chairman, Mr. J. D. Hellings, says that the tin dredge at the Mambang Di-Awan Sendirian joint venture commenced operations last month.

Gopeng intends to invest its surplus funds in future mining development projects, particularly in base metals and fuel. In the case of metals preliminary exploration is being carried out in Cornwall and in North and South America.

LONDON TRADED OPTIONS

(Feb. 24 Total contracts 1448)

Option	Ex'rcise price	April Closing offer	April Vol.	July Closing offer	July Vol.	Oct. Closing offer	Oct. Vol.	Equity close
BP	330	72	2	—	—	—	—	394p
BP	360	42	5	—	—	—	—	,,
BP	390	26	5	40	1	54	—	,,
BP	420	14	1	28	3	38	—	,,
BP	460	5	—	16	3	—	—	,,
Com. Union	130	29	—	32	1	37	—	156p
Com. Union	140	19	23	24	10	30	—	,,
Com. Union	160	7	149	11	46	16	—	,,
Com. Union	180	1½	4	4	20	—	—	,,
Cons. Gold	460	33	8	46	3	50	—	446p
Cons. Gold	488	12	10	—	—	—	—	,,
Cons. Gold	538	3	10	—	—	—	—	,,
Cons. Gold	550	—	—	7	4	11	3	,,
Cons. Gold	588	1½	20	4	—	—	—	,,
Courtaulds	50	12	3	14	—	18	—	59p
Courtaulds	60	5	30	8	5	9½	—	,,
Courtaulds	70	1½	20	4	—	—	—	,,
GEC	650	26	39	53	—	82	—	648p
Grand Met.	140	35	20	42	—	44	—	170p
Grand Met.	160	16	82	22	10	28	—	,,
Grand Met.	180	5	11	10½	10	14	4	,,
ICI	280	24	162	38	75	48	5	288p
ICI	300	13	46	24	—	33	2	,,
ICI	330	5	36	12	2	—	—	,,
Land Sec.	420	10	23	22	1	35	—	402p
Marks & Sp.	110	18	6	22	—	27	—	125p
Marks & Sp.	120	8½	29	14½	6	19	—	,,
Marks & Sp.	130	3½	—	7½	10	12½	1	,,
Shell	420	16	—	28	1	40	—	406p
Shell	460	5	—	15	1	23	—	,,
Shell	550	4	—	2	3	—	—	,,
Totals			744		215		15	
		February		May		August		
Barclays B'k	390	5	2	26	6	42	—	388p
Barclays B'k	420	½	15	13	3	28	—	,,
Imperial Gp.	70	9½	60	9½	6	12	—	79p
Imperial Gp.	80	1	20	5½	—	4½	—	,,
Lasmo	650	8	8	60	2	90	2	642p
Lasmo	700	½	—	40	6	64	—	,,
Lonrho	84	18	5	—	—	—	—	101p
Lonrho	94	8	19	—	—	—	—	,,
Lonrho	100	—	—	10½	17	13	—	,,
Lonrho	104	½	42	—	—	—	—	,,
Lonrho	110	—	—	5½	16	8	—	,,
Lonrho	114	¼	33	—	—	—	—	,,
Lonrho	120	¼	12	2½	20	5	—	,,
P. & O.	100	25½	4	—	—	—	—	125p
P. & O.	110	13½	5	17½	—	21	—	,,
P. & O.	120	3½	42	10½	25	14	—	,,
P. & O.	130	½	4	5	5	8½	—	,,
Racal Elec.	330	30	36	46	6	60	—	358p
Racal Elec.	360	4	23	25	14	41	—	,,
Racal Elec.	390	4	—	11	2	25	5	,,
RTZ	384	28	2	—	—	—	—	410p
RTZ	414	4	5	24	3	—	—	,,
RTZ	454	½	—	15	10	—	—	,,
Totals			327		140		7	

Commercial Union Assurance Company Limited

The Board announces unaudited profits for 1980 of £76.5m (1979 £91.8m) after providing for taxation.

	1980 Unaudited £m	1979 Published £m
PREMIUM INCOME	1,171.5	1,148.5
Investment income	151.4	153.6
Loan interest	(8.6)	(12.6)
	142.8	141.0
Life profits	15.2	16.6
Underwriting result (analysis below)	(57.3)	(21.3)
Associated companies' earnings	2.5	1.3
PROFIT BEFORE TAXATION AND MINORITIES	103.2	137.6
Taxation and minorities	(26.7)	(45.8)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	76.5	91.8
EARNINGS PER SHARE	18.61p	22.34p
SHAREHOLDERS' FUNDS	£769m	£717m
UNDERWRITING RESULT	£m	£m
United States	(31.8)	(8.3)
United Kingdom	(2.3)	3.5
Netherlands	(3.0)	(10.7)
Canada	(11.9)	.4
Australia	(2.5)	(2.3)
Remainder	(5.8)	(3.9)
	(57.3)	(21.3)

World-wide premium income increased by 2%. After allowing for the effect of changes in rates of exchange, the sale of a majority of our shares in former subsidiary companies in Australia, New Zealand, South Africa and the Republic of Ireland, which have become associated companies, and other factors, the underlying growth in premium income was 17%.

In the United States, premiums increased by over 15%. This growth was considerably higher than the average growth for the industry and, although our statutory claims ratio to earned premiums increased to 70.7% (1979 69.4%), this modest increase was most satisfactory in the adverse conditions prevailing in the market. The expense ratio to written premiums was 34.0% (1979 33.1%) and the statutory operating ratio was 104.7% (1979 102.5%). The expense ratios reflect the continuing implementation costs associated with our long term strategy designed to achieve a larger share of the market as well as greater profitability. In 1980, approximately half of the costs incurred during the year in developing new computer systems were capitalised for U.S. statutory purposes, whereas profit attributable to shareholders has borne all such costs as in previous years. These costs represent one percentage point of the statutory expense ratio. Motor and liability results were worse than last year and the property account was adversely affected by increased weather losses. Workers' compensation results, however, improved significantly and produced a small profit.

Underwriting experience in the United Kingdom deteriorated with liability business being particularly poor and the motor account producing a small underwriting loss. Premium growth was over 25%.

In the Netherlands, there was a marked improvement in the underwriting result compared with 1979, mainly because motor business achieved a satisfactory profit.

Trading conditions in Canada were extremely poor throughout the year and included intense competition combined with wholly inadequate premium rates. The result was a substantial underwriting loss for 1980. However, there are now signs of a more responsible attitude amongst insurers and some premium rate increases have been implemented in 1981.

The underwriting loss for Remainder reflected poor experience in a number of territories in Western Europe although underwriting profits in the Far East increased. Marine and aviation business transacted on the London market for the 1978 underwriting year was closed at the end of 1980 with no release of profit, but the annual review of the marine fund in respect of earlier years resulted in a release of £3.2m to the profit and loss account.

As reported previously, following the integration of our business interests in Australia and New Zealand with those of the National Mutual Life Association of Australasia from 1st August 1980, income from these sources has been accounted for as associated companies' earnings.

Investment income, net of loan interest, increased marginally but after allowing for the effect of changes in rates of exchange, the sale of our shares in former subsidiary companies mentioned above and other factors, there was an underlying increase of 15%.

Life profits were reduced in sterling terms by the effect of changes in rates of exchange, but the underlying rate of increase in profit was 8.5% over 1979.

Dividend

The Directors recommend for payment on 15th May 1981 a final dividend on the ordinary shares of the Company of 6.400p (1979 5.800p). This, together with the interim dividend of 4.400p (1979 4.000p) per share paid in November last, gives a total dividend for the year of 10.800p (1979 9.800p) per share, which represents an increase of 10.2% on the dividend paid in respect of the year ended 31st December 1979. These dividends, including preference dividends for 1980, require £44.4m (1979 £40.3m). The balance of profit for 1980 amounting to £32.1m has been added to reserves. UK resident and certain foreign shareholders will be entitled to an imputation tax credit of 4.629p (1979 4.200p) per share at current rates of tax, making a gross dividend for the year of 15.429p (1979 14.000p) per share.

The Report and Accounts for 1980 will be posted to shareholders on 19th March 1981 and the Annual General Meeting will be held on 13th April 1981.

The results of the Company's operations have, as usual, been converted at rates of exchange prevailing at the close of the periods reported. These were as follows:—

	1980	1979
United States	$ 2.39	$ 2.20
Netherlands	Fls 5.10	Fls 4.22
Canada	$ 2.85	$ 2.58
Australia	$ 2.03	$ 2.00

Firestone returns to profit in first quarter

By Our New York Staff

FIRESTONE TIRE AND RUBBER yesterday reported its first quarterly profit for more than a year, following a huge programme of closures, work-force reductions and asset sales.

Firestone said it earned $76m on sales of $1.06bn in its first fiscal quarter to January 31, compared with a loss of $14m on sales of $1.13bn in the same quarter last year.

The biggest slice of the profit—$56m—came from sales of assets, which included the company's plastics division and a French synthetic rubber plant.

But that still left Firestone with $20m in net income from continuing operations, compared with last year's loss of $15m.

At the operating level, Firestone's beleaguered North American tyre business also turned a profit of $10m in the first quarter, versus a $14m loss. International tyre operations earned $29m, up from $25m.

Profit at the diversified products division fell, however, from $12m to $10m.

Firestone said that its sharp economies during last year had enabled it to come through a 24 per cent decline in shipments in the quarter without continuing to make losses.

The company is now considered to have purged itself of most of its obsolete capacity and to have greatly strengthened its financial position, but it is still taking a gloomy outlook on the critical North American tyre market.

Firestone believes that American motorists will drive less as result of higher-priced fuel and that by 1985, industry shipments for replacement tyres will be only 105m units, which is 14m fewer units than last year's total. Goodyear, the industry leader, is forecasting a 1985 market of 138m units.

Slump in sales pushes Deere into reverse

BY IAN HARGREAVES IN NEW YORK

DEERE AND CO., the large U.S. manufacturer of farming and construction machinery, yesterday reported a disappointing start to 1981 as its operations outside North America slipped into the red on an operating basis.

Deere said it earned $37.9m net in its first fiscal quarter on sales of $1.07, compared with $62.7m on sales of $1.12bn a year earlier.

Earnings in the quarter just completed were boosted by a $29.2m foreign exchange gain, compared with a $4.6m exchange loss last year.

Mr. William Hewitt, chairman, said he foresaw a pickup in U.S. farm equipment sales in the third and fourth quarters, following production increases which Deere began in December.

This would have "a favourable effect on operating results for the year," he said.

In the first quarter, worldwide shipments of industrial equipment fell by 28 per cent to $171.8m. Farm machinery sales were 3 per cent higher at $902.8m.

Deere also suffered from high interest rates, which both increased its financing costs and almost wiped out earnings from Deere's retail financing subsidiaries, which had contributed $7.9m in the first quarter.

Most of the growth in the quarter had been outside North America, where combined sales of farm and industrial equipment were up by 9 per cent to $243m.

But Mr. Hewitt warned that European demand had slowed recently and that conditions were expected to remain difficult in Europe throughout 1981. Margins have been cut by fierce competition.

In North America, Deere is forecasting an 8 per cent increase in farm cash receipts in the U.S. this year, suggesting an improving trend of machinery sales, in spite of high interest rates.

For construction equipment, Mr. Hewitt said there was little prospect of any significant improvement in demand before late 1981 or early 1982.

Earnings hit at Hoover

By Our Financial Staff

HOOVER, the household appliance company, saw earnings halved in the final quarter of 1980 although sales remained firm.

For the full year, net earnings showed a fall from $39.3m to $30m or $2.46 a share, although comparisons are distorted by the $12.2m windfall gain in 1979 from the change in UK tax regulations. Sales for the full year moved up from $754.3m to $830.3m.

The final quarter of the year brought in net earnings of $5m or 40 cents a share, against $9.8m, or 80 cents, in 1979. The 1980 quarter takes in a loss of $1.7m on foreign exchange, compared with a similar gain of $174,000 in the previous year.

On Monday, Hoover of the UK, which is nearly 71 per cent owned by the U.S. group, reported a loss of $6.1m for 1980.

Scott Paper plans major shift in corporate strategy

BY OUR NEW YORK STAFF

SCOTT PAPER, the large Philadelphia company best known for its world wide tissue products, yesterday unveiled a major shift in corporate strategy which will require capital investment of $2bn over the next five years.

The capital budget is more than twice what Scott has spent in the last five years and will require the company to raise about $1bn in either long-term debt or equity markets.

Scott's plan has been worked out with the aid of the Boston Consulting group and involves greater emphasis on two U.S. businesses, packaged products, such as paper towels, and coated paper products. Scott says it also aims to finance rapid development of all aspects of its international business, which is growing much faster than domestic operations.

This year, Scott will spend $350m. Items include a coated paper machine costing $195m in Maine, modernisation of a wood yard and utilities in Alabama and conversion of a Pennsylvania plant form oil to coal power.

Scott says its objective is to cut its costs for producing tissues and other packaged products, at the same time as broadening the company's product range.

M. J. H. Nightingale & Co. Limited

27/28 Lovat Lane London EC3R 8EB Telephone 01-621 1212

1980-81 High	Low	Company	Price	Change	Gross Div (p)	Yield %	P/E
75	39	Airsprung	65	+1	6.7	10.3	3.9
44	21	Armitage and Rhodes	42	—	1.4	3.3	17.3
192	92½	Bardon Hill	189	—	9.7	5.1	7.1
98	88	Deborah Services	95	—	5.5	5.8	4.7
136	88	Frank Horsell	106	—	6.4	6.0	3.3
110	51	Frederick Parker	51	−1	11.0	21.6	2.3
110	74	George Blair	75	—	3.1	4.1	—
110	59	Jackson Group	107	—	6.9	6.4	4.1
134	103	James Burrough	120	—	7.9	6.6	9.8
334	244	Robert Jenkins	330	—	31.3	9.5	—
55	50	Scruttons "A"	54	—	5.3	9.8	3.9
224	215	Torday	217	—	15.1	7.0	3.7
23	10	Twinlock Ord.	11½	—	—	—	—
90	69	Twinlock 15% ULS	71	—	15.0	21.1	—
56	35	Unilock Holdings	42	+1	3.0	7.1	6.5
103	81	Walter Alexander	103	—	5.7	5.5	5.7
263	181	W. S. Yeates	261	—	12.1	4.6	4.3

Hudson's Bay in bid for minority stake in Zeller's

BY OUR FINANCIAL STAFF

HUDSON'S BAY Company, the leading Canadian retailing group which is owned by the Thomson family, is to offer C$18 a share for the outstanding 38 per cent in Zeller's, another retailing group, which does not already hold. The bid is worth around C$100m (S83.5m).

The bid terms are substantially the same as in the proposal made on January 23 which was subsequently blocked by a court injunction. The offer will be mailed to Zeller's shareholders next week.

The previous proposal was ruled to be an attempt by Hudson's Bay to expropriate the holdings of minority shareholders while it held only 59 per cent of Zeller's. Canadian law requires a 90 per cent holding before such an action

Meanwhile, the joint bid by Thomson Newspapers, another Thomson family concern, and Nu-West for 8.5m shares in Abitibi-Price, the newsprint and paper group, is to be made through Canadian stock exchanges on March 4 between 9.00 am and 9.30 am, the Toronto Stock Exchange said yesterday. Thomson and Nu-West, a Calgary real estate and energy group, are offering C$31 a share.

Improved Penn bid wins GK's approval

By David Lascelles in New York

PENN CENTRAL, the leisure, energy and manufacturing company, yesterday sweetened its bid for GK Technologies, the large U.S. cable and electrical equipment company, having overcome its concerns about GK's possible involvement in a hotel fire in Las Vegas which killed 84.

The new bid, announced yesterday, is worth $730m, up from the $660m which Penn Central bid last year before it called off the deal when it transpired that a GK subsidiary was responsible for some of the wiring in the Las Vegas hotel.

GK maintains that the fire will not have any adverse effect on its operations.

Penn's cash tender offer, which has been approved by the GK board, is due to begin on March 2. Penn will offer $50 for each GK common share and $59.50 for each convertible preference share.

Hopes wane for AT and T settlement

By Our New York Staff

THE HOPED-FOR out-of-court settlement of the massive Government anti-trust suit against A/T and T, the giant U.S. telephone utility, has encountered serious obstacles and may have to go to court after all. If so, litigation could last for some years.

The obstacles stem partly from the recent change in Administration and the appointment of new anti-trust officials at the Department of Justice. But it also appeared yesterday that the parties could not agree on terms of the proposed settlement, details of which have not been released.

A/T and T and the Justice Department announced at the beginning of this month that they expect to be able to agree on a consent decree which would resolve the long-pending suit, and that the judge has agreed to suspend court hearings until March 4, to give them time to finalise the settlement by March 2. However, the Justice Department says the new Reagan officials will not be able to review the proposed settlement by then, and that there is no guarantee that they would approve it.

AT and T said yesterday that it was surprised and disappointed by the department's new position, but that it was prepared to litigate if necessary.

It is conceivable though, if the judge permits a further extension, a settlement can be reached. The new Reagan appointees to the Justice Department are known to believe that the application of anti-trust law has been too zealous in the past, and they may favour an out-of-court settlement.

Gotaas Larsen refinances LNG ship

By William Hall, Shipping

GOTAAS LARSEN†, the Bermudan-based shipping group, has refinanced its liquefied natural gas carrier, Golar Freeze, with a $96m loan. The ship was financed by a D-Mark loan and this resulted in sizeable foreign exchange losses which have depressed earnings.

In the year to December 31, 1980, Gotaas Larsen, which has a fleet of 21 vessels, increased its pre-tax profits from $3m to $16.6m but after-tax and minority charges, group profits fell from $10.7m to $7.8m.

After foreign exchange losses of $7.3m, net profit amounted to $500,000. Group revenues increased by 5 per cent to $169.1m.

The group's interest charge fell marginally during the year to $46.7m but corporate expenses were substantially higher reflecting the opening of offices in Bermuda and London.

The sales of the group's minority interests in two semi-submersible drilling rigs contributed substantially to the $20.4m profits of associates.

U.S. QUARTERLIES

ARVIN INDUSTRIES

	1980	1979
Fourth quarter	$	$
Revenue	127.3m	132.3m
Net profits	5.17m	7.69m
Net per share	0.72	1.11
Year		
Revenue	428.8m	493.2m
Net profits	7.59m	20.42m
Net per share	0.92	2.88

CANADIAN OCCIDENTAL PETRLM.

	1980	1979
Year	C$	C$
Revenue	190.1m	126.2m
Net profits	30.32m	20.82m
Net per share	1.34	0.81

CHICAGO PNEUMATIC TOOL

	1980	1979
Fourth quarter	$	$
Revenue	123.3m	124.9m
Net profits	1.32m	†1.46m
Net per share	0.27	†0.30
Year		
Revenue	474.2m	454.9m
Net profits	11.94m	16.85m
Net per share	2.44	3.30

† Loss

Credit for Brazilian nuclear power agency

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

BRAZIL'S NUCLEAR energy agency, Nuclebras, has mandated Dresdner Bank to raise a $150m to $200m Eurocredit from the German banking community to help finance the construction of nuclear power stations in Brazil.

Terms of the credit have still to be negotiated but they are expected to be close to current market levels for Brazilian public sector credits. The latest of these, for Cia Vale do Rio Doce, carries a margin of 2¼ per cent over Libor or 2 per cent over U.S. prime rate.

The power stations being financed with the credit come under the framework of the 1975 agreement on nuclear energy between Brazil and West Germany which foresaw construction of eight nuclear power stations altogether through the German concern, Kraftwerk-Union.

Additional finance is expected to be provided for Nuclebras in 1981 by the West German Wiederaufbau. If this amounts State-owned Kreditanstalt fuer to DM 100m as currently expected, the amount of the loan now being arranged by German banks will be set at the lower anticipated level of $150m.

Separately, Brazil's development bank, BNDE, is in the early stages of negotiating a large credit from the Arab Banking community.

● Arabank, the consortium of Arab and Latin American banks which this week formally opened a representative office in London, expects to double its capital later this year to $200 from $100m at present.

Lloyds launches CD in European currency unit

BY OUR EUROMARKETS CORRESPONDENT

LLOYDS BANK has issued the first Certificate of Deposit denominated in the European Currency Unit (ECU), the currency basket of the European Community.

The one-month CDs for an amount of ECU10m ($12m) was issued to the European Investment Bank of Luxembourg, a logical dealer in the unit because its accounts are drawn up in European Units of Account which are effectively the same as ECUs.

The interest rate on the new CD was not disclosed although it is understood to be linked to the market rate for ECU deposits.

The market for such deposits is developing alongside that for deposits in Special Drawing Rights, which has also recently begun to see the issue of CDs.

Both units appeal to investors because their basket construction makes them a useful hedge against currency movements, but a major difference is that the ECU excludes the U.S. dollar and is, therefore, attractive to investors who for political or market reasons are seeking a hedging vehicle that does not involve dollar exposure.

A number of commercial banks in Common Market countries are also willing to settle ECU transactions directly without passing them through the foreign exchange market.

This is because the EIB functions as a source of supply and demand for ECUs. By contract, the IMF does not deal in SDRs with commercial banks and settlement of such transactions has to be made in a separate currency, usually U.S. dollars.

Sharp fall in D-Mark bond prices

By Francis Ghilès

FOREIGN D-MARK bond prices dropped sharply yesterday in the wake of the rise in short-term German interest rates. Most bonds posted losses of ½-¾ points but actual transaction volume remained thin.

One-month Euro-DM rates rose by 2 5/16 points to 12 1/16 points while six-month rates gained ¾ to 12 per cent.

The two foreign D-Mark bonds launched last week posted small losses. The 10 per cent ECSC to 1991 was quoted at 99¾ in the middle while the 10 per cent Inter-American Development Bank bond to 1991 closed at 98½.

Other continental European interest rates shot up in the wake of events in Germany. The interest rate on three-month Euro-French francs gained a point to close at 13 per cent. Most seasoned FFr bonds shed ½-¾ points. The 14¾ per cent bond to 1986 for Solvay is expected to be priced at par today by the lead manager, Credit Commercial de France.

Norges Kommunalbank has arranged a SwFr 50m 10-year public issue on the Swiss primary market through Banque Gutzwiller, Kurz, Bungener. The bonds will bear interest at 6¼ per cent and have been priced at par. Meanwhile the SwFr 25m 10-year issue for Societè d'Energie Nucleaire Franco Belge des Ardennes which has a 6⅝ per cent coupon, closed oversubscribed yesterday.

Prices on the secondary market were mixed.

Straight dollar bonds prices shed ¼ points in very thin trading yesterday.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which will be published next on Wednesday, March 11.

Closing prices on February 24

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amoco 13¾ 88	75	94½	95	−0⅛	+1½	14.48
CECA 11½ 88	100	88¼	88¾	−0¼	+1⅛	14.14
CNE 12¾ 91	100	91⅝	92⅛	−0⅜	+0⅛	14.32
Citicorp O/S Fin. 10 86	300	85⅛	85⅝	+0⅛	+2⅜	14.02
Citicorp O/S Fin. 12 87	200	90⅜	90⅞	−0⅛	+2⅝	14.23
Con. Illinois O/S 9¾ 86	150	83⅜	83⅞	−0⅛	+2⅜	14.29
Denmark 11⅞ 90	100	85½	86	−0⅜	−0⅛	14.62
Dupont Canada 13½ 91	65	95⅜	95⅞	−0½	+1⅜	14.35
EEC 11 95 (May)	75	80	80½	−0⅛	+1	14.30
EEC 11 95 (August)	70	78	79	0	−0⅛	14.62
EIB 13⅜ 90	100	96½	97	−0⅛	+1¼	14.37
Eksportfinans 9½ 87	75	82⅛	82⅝	−0¼	+1	13.79
Elec. de France 10 88	125	81⅝	82⅛	−0⅛	+1⅛	14.08
Elec. de France 13 88	125	94¼	94¾	−0½	+0⅛	14.29
Export Dv. Cpn. 12¾ 87	100	93⅝	94⅛	−0⅛	+0⅞	14.26
Export Dv. Cpn. 9½ 86	150	83½	84	0	+1⅜	14.33
Fin. Exp. Credit 10½ 85	50	87¼	87¾	0	+0⅞	14.52
Finland, Rep. of 9½ 86	100	81⅞	82⅜	−0⅛	+0⅜	14.75
Ford Credit O/S 14⅝ 83	150	97½	98	−0⅛	+1⅛	15.60
Ford Cr. O/S Fin. 16 84	150	102	102½	−0⅛	−0⅛	15.06
Gaz de France 13½ 86	80	97½	98	−0⅛	+1¼	14.14
GMAC O/S Fin. 12 87	100	88⅜	88⅞	−0½	+1⅛	14.78
GMAC O/S Fin. 12⅞ 88	100	91⅜	91⅞	−0⅛	+1	14.88
Gen. Mtrs. O/S 11⅜ 87	100	88½	89	−0⅛	+2	14.45
GTE Fin. 13⅜ 86 (WW)	50	98½	99	−0⅛	+0⅞	14.10
Hudson's Bay 11½ 90	75	84⅛	84⅝	−0¼	+1⅛	14.64
IBM Canada 10½ 85	50	95⅜	95⅞	0	+1⅞	11.80
IBM Wld. Trade 12½ 88	200	95⅜	95⅞	−0⅛	+1⅜	13.50
Newfoundland 13½ 90	60	93⅞	94⅜	−0¼	−1⅛	14.71
Nova Scotia 10⅝ 90	50	81⅛	81⅝	0	+2½	14.46
OKB 10 85	50	86⅞	87⅜	−0⅛	+0⅞	14.12
Quebec Hydro 11½ 92	100	82⅝	83⅛	−0⅛	+1⅛	14.66
Queb. Hy. 13 91 (WW)	100	91⅜	91⅞	−0⅛	−1⅞	14.64
Rovlease 11⅜ 85	50	90¼	90¾	−0⅛	−0⅛	14.30
SNCF 12½ 85	50	94⅝	95⅛	−0⅛	+1	14.02
SNCF 13 91	75	94⅜	94⅞	−0⅛	−0⅛	14.03
Sven Handelsbk. 13¼ 88	45	95⅛	95⅝	−0⅛	0	14.81
Sweden 12½ 85	150	93½	94	−0⅛	+1⅛	14.27
Swed. Ex. Credit 12 83	50	93⅝	94½	−0⅛	+0⅞	14.91
Swed. Ex. Credit 13 86	75	95¼	95¾	−0⅛	+1½	14.32
Unilever NV 9¾ 90	100	79½	80	0	+2	13.68
World Bank 9¾ 85	200	87½	88	−0⅛	+1⅜	13.65
World Bank 10⅛ 87	300	84¾	85¼	−0⅛	+1⅜	13.94

Average price changes... On day −0⅛ on week +1⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 8⅝ 90	100	86½	87	−0½	−0¾	10.64
Australia 8⅛ 90	250	89½	90	0	+0½	9.92
Austria, Rep. of 8¼ 92	150	87	87½	−1	−0¼	10.13
BFCE 8⅛ 95	100	85¾	86¼	−0¼	−0½	9.99
CECA 7⅞ 92	150	86½	87¼	−0⅛	−0½	9.81
CII-Honeywell 8⅞ 90	125	88½	89	−0⅛	+0⅛	10.30
Denmark 8¼ 92	100	88¼	89¼	−0⅛	−0⅛	9.98
EIB 8¾ 90	200	90½	91¼	−0½	−0⅛	10.00
ESCOM 9⅛ 87	100	94¼	95	−0⅛	−1⅛	10.38
Iberduero SA 9 90	100	91½	92¼	−0⅛	−1⅛	10.37
Ind. Bk. Finland 8½ 90	50	87½	88½	−0⅛	−1⅜	10.52
Japan Air Lines 8⅛ 87	100	90⅜	90⅞	−0⅛	−0⅛	10.72
Japan Dev. Bank 7⅝ 87	100	86½	87¼	−0⅛	−1	10.48
Kobe, City of 8 90	100	86¼	87	−0⅛	−0⅛	10.28
Midland Int. Fin. 8½ 90	150	90⅜	90⅞	−0⅛	0	10.07
Norway 7½ 85	250	91	91¾	+0⅛	−0⅛	10.29
Nuclebras 9¾ 88	100	87⅞	88⅞	−0⅛	−0⅛	12.16
OKB 8⅛ 92	150	85⅞	86⅜	−0½	−0½	10.35
Oslo, City of 8⅜ 90	80	94½	95⅛	−1	−1⅛	9.62
Venezuela, R. of 9¾ 90	150	93	93¾	+0⅛	−0⅛	10.87
World Bank 8 90	700	86	86⅝	−0½	−0⅞	10.31
World Bank 10 86	150	99½	100¼	−1	−1½	10.01
World Bank 10 90	200	99¾	100½	−0⅛	−1¼	9.97

Average price changes... On day −0⅛ on week −0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Austria, Rep. of 5⅛ 90	100	92⅝	93¼	+0¼	+0⅛	6.37
BFCE 6½ 91	100	102⅝	103	+0⅛	+0½	6.11
Bayer Int. Fin. 5⅛ 92	100	91⅝	91⅞	+0½	+1⅞	6.27
Bergen, City of 6 90	50	97⅛	97⅝	−0½	+0⅞	6.32
Buhrm'n-Tetterode 7 90	40	103½	103¾	−0⅛	+1½	6.46
Copenhagen Tele. 5¾ 90	60	91⅝	92	+0⅛	+0⅛	6.83
Denmark 5¾ 90	80	91½	91¾	−0½	−1⅛	6.99
Dome Petroleum 5¾ 91	100	94¼	94½	−0½	−0½	6.53
Elet. de France 5⅜ 90	100	93¼	93½	+0⅛	+1	6.18
Eurofima 5⅜ 92	80	†100	100½	0	−1¼	5.72
F. G. H. Hypo. Bk. 6 90	50	†94½	95	−0½	+0⅛	6.77
Finland, Rep. of 5⅝ 90	80	91⅜	91⅝	−0⅛	+0⅛	6.87
Int.-Amer. Dev. 7 90	80	102⅜	103	+0⅛	+1⅞	6.57
Japan Dev. Bank 5¾ 90	100	95¼	95½	−0⅛	−0½	6.40
Jutland Tele. 5½ 90	50	91	91¼	−0⅛	−0⅛	6.86
Mt. Blanc Tunnel 5½ 90	60	†93	93½	+0⅛	+1	6.46
Newag 5¾ 90	80	93⅜	94	+0⅛	+1⅜	6.64
Norges Komm. 4⅜ 91	100	81⅜	82	−1⅛	−0¼	6.82
OKB 4⅞ 91	100	83½	83¾	+0¼	+1	6.56
OKB 6 90	100	†98½	99	0	+1⅛	6.18
Oslo, City of 4⅜ 91	100	†83	83½	0	−0½	6.61
Oslo, City of 5⅞ 90	80	95	95½	+0⅛	+1	6.55
Philips Lamps 5⅛ 92	100	91⅝	92	−0⅛	+0½	6.26
Sekisui Pre. Hms. 6 90	80	95⅛	95⅝	+0⅛	+0½	6.66
Shikoku El. Pwr. 4¾ 89	100	92	92½	+0⅛	+1⅛	5.93
Trade Dev. Fin. 6¼ 90	50	†93	93½	0	+0⅛	7.11
Voest-Alpine 5⅜ 90	80	94	94½	+0⅛	+0½	6.57
World Bank 6 91	100	95½	95¾	−0⅛	−0⅞	6.61

Average price changes... On day 0 on week +0½

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 5.6 83	30	91⅞	92¼	+0⅛	−0⅛	8.99
Australia 6½ 88	20	87¼	88⅛	+0⅛	0	8.86
EIB 7⅛ 89	12	93	94	+0⅛	0	8.85
Finland 5.6 83	10	91⅛	92¼	+0⅛	0	9.22
Finland 6.8 88	10	87⅛	88⅜	+0½	−0⅛	9.24
Finland, Rep. of 8⅛ 87	15	95⅞	97¼	+0⅛	+0⅛	9.12

Average price changes... On day +0⅛ on week 0

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 10¾ 86 C$	60	91⅜	92¼	+0⅛	+0⅛	12.86
CIBC 13½ 85 C$	50	†97⅞	98½	0	+0⅛	14.07
CIBC 11½ 85 C$	60	†91¾	92½	−0⅛	0	13.86
Federal Dev. 11½ 90 C$	60	†86	87	+0⅛	+1⅛	14.15
Fst. Can. Inv. 10 84 C$	50	†88	88¾	−0⅛	−0⅛	14.73
R. Bk. Canada 10 85 C$	40	90	91	0	0	12.58
Tordom Cpn. 13½ 85 C$	30	†97⅞	98½	0	+0⅛	14.07
M. Bk. Dnmk. 9 91 EUA	25	89½	90¼	0	0	10.57
SOFTE 8¾ 89 EUA	40	85½	86½	0	−1⅛	10.50
U. Bk. Nrwy. 9½ 90 EUA	15	97½	98¼	0	0	9.82
Algemene Bk. 10¼ 85 Fl	60	97⅜	97⅞	−0⅛	−0⅛	10.89
Bk. Mees & H. 10 85 Fl	75	98½	99	−0⅛	+0⅛	10.33
Heineken NV 10 87 Fl	100	95	95½	−0⅛	+0⅛	[illegible]
Nat. Nedrlndn. 10 88 Fl	60	93⅞	94⅛	−0½	−0½	[illegible]
Ned. Midd. Bk. 10 85 Fl	75	98⅞	99⅜	0	+0⅛	10.22
Pierson 10⅛ 86 Fl	50	97⅝	98⅛	−0⅛	−0⅛	[illegible]
Aero Paris 13⅛ 87 FFr	150	94⅞	95⅞	−0⅛	−0⅛	[illegible]
Charb'nages 13⅞ 85 FFr	400	98½	99⅛	+0½	0	14.13
CECA 14¾ 86 FFr	150	97⅝	98½	−1⅛	−2	[illegible]
EIB 14⅛ 88 FFr	300	98⅞	99⅜	−0⅛	−0⅛	[illegible]
Finland 11 84 FFr	80	89⅜	90⅛	−0⅛	−2	[illegible]
Gaz de France 11 84 FFr	150	90⅞	91⅞	−0⅛	−1⅛	[illegible]
La Redoute 14⅛ 85 FFr	125	94½	95½	−0⅛	−0⅛	[illegible]
OKB 14 86 FFr	400	98⅞	99½	+0⅛	−0½	[illegible]
Utd. Mex. Sts. 14 85 FFr	150	97	98	−0⅛	−0⅛	[illegible]
Acona 14 85 £	20	94⅝	95⅞	−0⅛	+0⅛	[illegible]
Beneficial 14⅛ 90 £	20	94⅜	95	+0⅛	+0⅛	[illegible]
BNP 13½ 91 £	15	96⅝	97⅛	+0⅛	+0⅞	[illegible]
CECA 13½ 88 £	20	96½	97¼	+0⅛	+0⅛	[illegible]
Citicorp O/S 13½ 90 £	50	96⅝	97⅛	+0⅛	+1⅜	[illegible]
Fin. for Ind. 14½ 88 £	20	100⅜	101	+0⅛	+0⅛	[illegible]
Fin. for Ind. 13⅞ 87 £	20	98¼	99½	+0⅛	+1	[illegible]
Gen. Elec. Co. 12½ 89 £	50	94⅜	94⅞	+0⅛	+0⅛	[illegible]
Peugeot SA 14 90 £	23	94⅜	95	−0⅛	+0⅛	[illegible]
Rothschild 14⅛ 90 £	12	99	99⅝	+0⅛	+0⅛	[illegible]
Royal Trustco 14 86 £	12	100	100½	+0⅛	+0⅛	[illegible]
Swed. Ex. Cr. 15¼ 85 £	20	103½	104¼	+0⅛	+0⅛	[illegible]
Banobras 8¼ 90 KD	7	†89⅞	90	0	+2⅛	[illegible]
CCCE 8⅛ 91 KD	10	†82½	83	0	0	[illegible]
Sonatrach 8½ 90 KD	12	†92	92½	0	+3⅞	[illegible]
Akzo 9⅞ 87 LuxFr	500	90⅛	91⅛	−1⅛	+0⅛	[illegible]
Euratom 9⅛ 88 LuxFr	500	93⅛	94⅛	−0⅛	−0⅛	[illegible]
Eurofima 10½ 87 LuxFr	500	97	98	0	−1	[illegible]
EIB 9¾ 88 LuxFr	600	94	95	0	−0⅛	[illegible]
Volvo 9¾ 87 LuxFr	500	91½	92½	−0½	−1	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Allied Irish Bank 5¼ 87	0¼	99½	99¾	2/7	18⅝	[illegible]
Bank of Montreal 5¼ 90	0¼	99¾	100¼	18/6	19½	[illegible]
Bank of Tokyo 5¼ 89	‡0⅛	98¾	99¼	25/4	19.31	[illegible]
BBL Int. 5 88	0¼	98⅞	99⅛	20/5	16½	[illegible]
Bergen Bk. A/S 6 89	‡0¼	†98⅜	98⅞	29/2	18.19	[illegible]
BNP 5½ 88	‡0⅛	99⅝	99⅞	29/4	18.69	[illegible]
CNT 5¼ 86	§0⅛	98¼	98¾	16/4	13⅞	[illegible]
Christiania Bk. 5½ 91	‡0⅛	97⅝	98⅛	5/5	17⅜	[illegible]
Citicorp O/S F. 84	‡0	99	99½	29/2	17.56	[illegible]
C. Itoh 5¼ 87	0⅛	99	99½	18/3	12⅞	[illegible]
Co-operative Bk. 6 86	0¼	97⅜	97⅞	15/5	15⅝	[illegible]
Den Norske Credit 6 90	‡0⅛	98⅛	98⅝	5/5	17⅝	[illegible]
Genfinance 5⅛ 87	0⅛	98¾	99¼	30/4	15⅜	[illegible]
Giro und Bank 5¼ 91	‡0⅛	98⅜	98⅞	23/3	20½	[illegible]
GZB 5½ 89	‡0⅛	99	99½	1/5	17⅞	[illegible]
Ind. Bank Japan 5¼ 87	0¼	98⅜	98⅞	15/4	13.31	[illegible]
Ind. Bank Japan 5¼ 88	0¼	98⅛	98⅝	9/4	13½	[illegible]
Lloyds Eurofin 8 90 £	0⅛	96⅞	97⅜	3/7	14½	[illegible]
Lloyds Eurofin 5¼ 92	0⅛	98	98½	4/6	17⅛	[illegible]
LTCB Japan 5⅛ 86	0⅛	100⅛	100⅝	13/6	20.19	[illegible]
Man. Hanov. O/S 5¼ 94	‡0⅛	98¼	98¾	29/2	18⅛	[illegible]
Midland Intl. Fin. 5 89	0¼	99⅞	100⅜	30/6	19.56	[illegible]
Midland Intl. Fin. 5¼ 92	0¼	98⅛	98⅝	5/6	17.19	[illegible]
Nacional Fin. 6¼ 86	0⅛	99⅛	99⅝	25/7	17⅜	[illegible]
Nat. West. 5¼ 94	§0⅛	97¼	97¾	14/4	13⅜	[illegible]
Nat. West. 5⅛ 92	§0⅛	97½	98	23/4	13.89	[illegible]
Nippon Credit 5¼ 87	‡0⅛	99⅜	99⅞	6/5	17.44	[illegible]
Sparebanken 6 87	0¼	98½	99⅛	19/6	19⅞	[illegible]
Standard Chart. 5¼ 90	§0¼	98⅛	98⅝	6/3	12.06	[illegible]
Svenska Hndlsbk. 5 87	0¼	99½	100	15/7	17.81	[illegible]
Bq. Ex. d'Alg. 4⅞ 89 SF	0⅛	90⅜	91	18/6	7½	[illegible]

Average price changes... On day 0 on week +0½

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Bow Valley Inv. 8 95	4/81	23.12	99½	100¼	+0⅛	[illegible]
Canon 6¼ 95	1/81	829	109½	110½	+0⅛	[illegible]
Credit Suisse 4¾ 93	10/79	1278	100¼	102¼	−0⅛	[illegible]
Digicon Fin. 8½ 95	10/81	29.5	94	95⅛	0	[illegible]
Enserch Fin. 9½ 94	7/80	30.25	155	156	+1	[illegible]
Hanson O/S Fin. 9½ 95	1/81	1.92	105⅛	106⅛	+0⅛	[illegible]
Ina Overseas 8¼ 2000	4/81	42	97⅜	98⅜	−0⅛	[illegible]
Inchcape Ltd. 8 95	2/81	4.56	90¼	91⅛	+0⅛	[illegible]
Jaccs 7½ 95	11/80	565	131	132	+0⅛	[illegible]
Marlon Int. Fin. 9 95	12/80	23.25	81⅜	83⅛	0	64.93
Matsushita El. 7½ 95	11/80	590	100⅝	101⅝	+0⅛	[illegible]
MEPC 8¼ 96	2/81	2.47	100⅛	101⅛	−0⅛	[illegible]
Niigata Eng. 7½ 96	1/81	327	102⅛	103⅛	−0⅛	[illegible]
Nissho-Iwai Co. 8 96	10/80	398	91⅛	92⅜	−0⅛	[illegible]
Ricoh 6⅝ 95	8/80	604	113⅝	114⅝	−0⅛	[illegible]
Sumitomo M. Ind. 7 95	2/81	181	109½	110½	+0⅛	[illegible]
Swiss Bk. Cpn. 6⅞ 90	9/80	200	86⅝	87¾	−0⅛	[illegible]
Taylor Woodrow 8⅛ 90	1/81	4.94	98⅜	99⅜	+0⅛	[illegible]
Transco Int. 8¾ 95	2/81	88	87¼	88¼	−0⅛	[illegible]
Tricorp 8½ 95	12/80	31.25	89	90	+0½	[illegible]
Union Bk. Switz. 5 88	2/80	121.4	85½	87½	−0⅛	−13.88
Fujitsu 5 84 DM	7/79	431.5	123½	124½	−1	−3.77
Sharp Cpn. 6½ 88 DM	9/80	595	138⅞	139⅞	+3⅛	[illegible]
Uny Co. 6½ 85 DM	11/79	967.3	107½	108½	+1⅞	9.90

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Akzo omits dividend as fibre loss mounts

By Charles Batchelor in Amsterdam

THE POOR performance of fibres has pushed Akzo, the Dutch chemicals group, back into the red for 1980 and the company proposes once again to pass its dividend.

Akzo made a net profit, before extraordinary items, of Fl 17m ($74m), down from Fl 289m in 1979. But when the cost of reorganising its Enka man-made fibres division is taken into account the company incurred a net loss of Fl 68m, compared with profits of Fl 230m.

In 1979 Akzo paid a total dividend of Fl 2.40 per share, after a four year absence.

Turnover rose 4 per cent in 1980 to Fl 12.44bn, though volume sales fell 3 per cent. Net profit per share fell to Fl 5.78 from Fl 9.75 before extraordinary items. After allowing for these items a loss of Fl 2.30 was recorded, against a profit of Fl 7.74.

The major non-recurring cost was the reduction of its fibres capacity. This operation, which will lead to the shedding of 4,000 jobs in the Netherlands, Germany and Northern Ireland, will cost Fl 400m, the company revealed yesterday. It will charge Fl 250m of these costs against the 1980 accounts with the remainder coming from earlier provisions.

When the reorganisation is completed the annual profit performance of the Enka fibres division will improve by Fl 150m to Fl 200m. The 180 operating loss at Enka was Fl 200m. Losses and restructuring costs in fibres have cost Akzo Fl 1.58bn over the past six years.

Turnover of the fibres division fell 2 per cent to Fl 3.78bn. Sales of the chemical products and coatings division rose 6 per cent to Fl 4.97bn and pharmaceutical and consumer products sales rose 7 per cent to Fl 3.88bn.

Synthetic textile and carpet fibre sales declined by 10 per cent to Fl 1.38bn. Chemical product profits fell by about 25 per cent, largely because of the poor performance of bulk chemicals.

Akzo booked a net profit of Fl 40m on the revaluation of stocks compared with a profit of Fl 85m the year before. It increased fixed asset investment by 89 per cent to Fl 640m.

Dutch merchant bank advances

By Our Amsterdam Correspondent

REDUCED TAX has allowed Pierson, Heldring and Pierson, the merchant banking arm of Amsterdam-Rotterdam Bank, to improve profits last year despite a sharply higher provision for bad debts.

Net profit rose 3.6 per cent to Fl 17.4m ($7.5m) compared with a 17.2 per cent increase in the balance sheet total to Fl 5.18bn. The modest increase in profits was nevertheless better than the bank had expected and was slightly higher than the 2.4 per cent rise achieved in 1979.

SALES AND ORDERS INCREASE

Krupp offsets steel division problems

BY ROGER BOYES IN BONN

KRUPP, the major West German steel and engineering group, managed to stay in profit last year despite its poor earnings from bulk steel and continuing difficulties in its shipbuilding subsidiary.

The company made clear yesterday that the good performance of the group's services, mechanical engineering and trading divisions helped to balance some of the problems experienced by the steel division. This division has been suffering from the depressed state of the steel market, the production cuts imposed by the European Commission and the sharp increases in the cost of raw materials and fuel.

Profit figures have not been revealed but it seems the total is unlikely to exceed, or even reach, 1979's net profit of DM 64.2m ($30m). That sum was achieved largely because Krupp — which has diversified into several non-steel sectors — had benefited from the generally healthy state of the German economy, buoying up sales and earnings in most divisions. However, a serious weakening in the German economy became apparent in the second half of last year and Krupp's earnings will clearly have been affected.

The sales and order figures released yesterday, though registering significant increases, confirm the generally troubled trend. Although orders to shipbuilding division, Weser, showed a 59 per cent rise to DM 790m, this included several orders which had been booked below cost in order to maintain a reasonable level of capacity use.

Other sectors — special steel, for example — saw sales and orders rise in the first half of the year but then registered a marked drop in the last six months.

External orders for the group as a whole reached DM 15.1bn, a 12 per cent increase, and external sales rose by 9 per cent to DM 13.9bn. The divisional breakdown is shown in the accompanying table.

THE WORKLOAD AT KRUPP

	Sales Dm bn		Order inflow DM bn	
	1980	1979	1980	1979
Steelmaking	6.16	5.87	5.98	5.97
Shipbuilding	0.46	0.48	0.79	0.50
Plantmaking	3.10	3.13	2.87	2.85
Mechanical	1.63	1.35	2.74	2.07
Services	4.23	3.44	4.40	3.65
Total	15.58	14.27	16.78	15.04
Less intra-group	1.65	1.48	1.69	1.62
External total	13.93	12.79	15.09	13.42

In the plant-making division, there are several major contracts in the offing. It was announced two days ago that Krupp would lead a consortium to build an electro-steel works in Libya for some DM 1.5bn and that Krupp Koppers, the coal conversion subsidiary which last year booked the contract for a gasification plant in Poland, has gained a foothold in the U.S.

The mechanical engineering sector has seen a sharp rise in sales and new orders and remains one of the most profitable divisions in the group. Krupp MaK Maschinenbau and Krupp Atlas Elektronik have booked major defence contracts and the group's foreign manufacturing subsidiaries have been performing well. The trading and services sector, Krupp Handel, boosted its orders and sales, thanks partly to its plant contracting department and to its fuel trading division.

External orders in hand at the end of 1980 amounted to DM 10.5bn, 12 per cent up

Svenska Cellulosa lifts profits

BY VICTOR KAYFETZ IN STOCKHOLM

SWEDISH FOREST products, machinery and power group, Svenska Cellulosa (SCA), pushed pre-tax profit up by 28 per cent from SKr 537m to SKr 688m ($150m) for 1980 on sales a little more than 12 per cent higher at SKr 6.73bn.

The proposed dividend is SKr 7.50 per share against SKr 6.50. The total dividends payable for 1980 will not be known until after March 6, when the current conversion period for promissory notes expires.

Profit per share was SKr 28, compared with SKr 23 in 1979.

Group operating profit rose by SKr 96m to SKr 655m despite labour disputes last spring which cost the company between SKr 50m and SKr 60m. Dividend and interest income rose SKr 95m to SKr 270m, more than outweighing a rise of SKr 40m in financial expenses.

The forestry and forest industry sector improved operating profits by nearly 24 per cent to SKr 380m and the packaging companies by roughly 50 per cent to SKr 41m. Molnlycke, a maker of household paper and hospital products, raised operating earnings by 23 per cent to SKr 97m.

There was a 6 per cent drop to SKr 167m in the operating earnings of the BAKAB power generating subsidiary. The loss-making Sunds Defibrator, which makes heavy equipment for pulp and paper mills, inched closer to break-even.

In 1981 some deterioration in earnings appears inevitable, SCA predicts. "It is not likely that the improved results for Molnlycke, BAKAB and Sunds Defibrator will be sufficient to offset the deteriorations anticipated for forestry and forest industry and the packaging companies."

Imetal earnings lower despite cut in nickel loss

BY DAVID WHITE IN PARIS

IMETAL, the French mining group, suffered a fall in profit last year despite reduced losses from its troubled nickel ore interests in the Pacific territory of New Caledonia.

Consolidated net earnings were estimated at FFr 230m ($47m) compared with FFr 248m the previous year. The 1980 figure included FFr 43m in gains from divestitures.

Group turnover showed a modest increase to FFr 7.4bn, as against FFr 7bn in 1979.

Partly as a result of exceptional gains and of a merger with its subsidiary Compagnie la Mokta, the parent company, in which the Rothschild banking group holds the largest stake with slightly more than 20 per cent, increased its net earnings to FFr 98m from FFr 40m.

A sum of FFr 250m is to be written off with respect to Imetal's 50 per cent holding in Le Nickel-SLN, the New Caledonia venture which it shares with the state-controlled Elf-Aquitaine oil concern and which incurred a further FFr 90m loss last year after posting a FFr 132m loss in 1979. The write-off is covered by provisions for fluctuation in portfolio values.

The group's two other principal subsidiaries both suffered reduced profits. Penarroya, which produces lead, zinc and other non-ferrous metals, showed consolidated earnings of about FFr 107m compared with FFr 170m the year before, on turnover increased to FFr 3.9bn from FFr 3.4bn.

Copperweld in the U.S. saw net profit cut to $18.9m from $23.1m as sales fell by 6.6 per cent to $461m.

● Creusot-Loire, the French manufacturing and engineering group, has established a U.S. subsidiary, CL Rail Trucks, to design and manufacture railroad and rapid transit equipment for sale in the U.S. Initially, CL will act as a sales agent for equipment produced in France.

French boost for inflation accounting

By Michael Lafferty

THE FRENCH accountancy profession has launched an experiment to popularise inflation accounting in France.

The accountants plan to assist 20 major companies in the preparation and publication of supplementary inflation-adjusted data for both income statements and balance sheets.

The statement, from the Ordre des Experts Comptables, recommends that historical financial statements should be supplemented by certain other information, taking price changes into account.

The Ordre calls for four adjustments to reported profit:

● A revision to cancel out the impact of tax rules on profits;

● Extra depreciation calculated according to a general index;

● Extra cost of sales, based on a last-in-first-out system of stock valuation;

● A financing adjustment, based on the changes in the net monetary position of the company.

The balance sheet should include fixed assets and inventories at current values. In addition, the Ordre wants companies to include a figure for inflation-adjusted profit in their five year summary, expressed in francs of the reporting year.

France joins a number of European countries, led by the UK, but also including the Netherlands and Sweden, where the accountancy profession is promoting inflation-adjusted accounts.

Olympia in jobs loss deal with unions

By Kevin Done in Frankfurt

OLYMPIA WERKE, one of the main loss-making subsidiaries of the financially troubled AEG-Telefonken group, is expected to sign next week an agreement with the trades unions which will lead to the loss of some 1,300 jobs.

According to Herr Hermann Siemers, chairman of the company's workers council, the workforce at the group's main works in Wilhelmshaven in north-west Germany is to be cut by 750 to 4,720.

The labour force at the smaller Leer works, which was threatened with closure earlier this year, is to be cut by 448 to 770 while a further 105 jobs are to be lost at Norden, leaving a workforce of 160.

The financial costs of the programme have not been revealed. Olympia is still counting on financial aid from the state to keep its Leer works open and to help support the retraining of staff which are being switched from mechanical and electrical products, chiefly typewriters, to electronics.

Cigahotels to raise dividend

VENICE — Cigahotels, the leading luxury hotel chain controlled by Europrogramme of Switzerland since last autumn, is to boost its dividend to L100 a share from L78 despite a 1.5 per cent drop in profit last year to L2.53bn.

The company said revenues from hotel operations rose more than 20 per cent to L80bn from L65.6bn in 1979.

AP-DJ.

EUROYEN

Japan prepares to lift lending curbs

BY RICHARD C. HANSON IN TOKYO

JAPAN is preparing to lift restrictions on short-term lending of yen by its banks in the Euromarket, where yen deposits have grown sharply over the past year.

At present, Japanese banks are not allowed to lend Euroyen (yen circulating outside Japan), and are limited in their ability to lend domestic yen externally under "guidance" from the authorities.

The Ministry of Finance, partly as a result of the liberal, foreign exchange law introduced last year, has been under pressure to allow Japanese banks to engage in short-term yen transactions in Europe.

If the MoF decides to go ahead with such liberalisation its first move is likely to be an end to the ban on short-term Euroyen loans for up to one year. Longer term transactions would still be restricted, however.

Late in 1980, the ministry allowed a cautious restart of long-term syndicated domestic yen loans for overseas borrowers. But the amount of such lending is still limited, for balance of payments considerations.

Demand for short-term yen lending is expected to grow strongly. This is partly a reflection of an increase in yen denominated world trade, and a rise in short-term financing of non-resident investment in Japan. Last year, such investment, centred on Japanese securities, soared as the capital surplus members of the Organisation of Petroleum Exporting Countries (and some large financial institutions) began diversifying their portfolios. The interest in yen is seen clearly by the levels of Euroyen deposits. These have nearly quadrupled since the end of 1979, to about Y4,000bn, or close to $20bn. This will provide a ready pool of funds to be lent on by banks.

The authorities in Japan have so far discouraged successfully the growth of an active market in yen lending overseas, even though foreign banks have always been technically beyond their reach. Liberalising Euroyen lending would be considered another positive step in the long process of allowing the yen to assume a much more important international role both in financing world trade, and in providing other countries with a reserve currency.

Rapid assets growth for Saudi International Bank

BY NICHOLAS COLCHESTER

SAUDI INTERNATIONAL Bank, the London-based bank in which the Saudi Arabian Monetary Agency has a 50 per cent stake, expanded its balance sheet from around $2bn to $3bn in 1980, Dr. Andreas Prindl, the chief executive, said yesterday.

This rapid rate of growth, which has required an equivalent rise in the number of staff and which is being accompanied by an increase in the bank's capital, represents a shift of strategy towards expansion on the part of the bank's backers. In addition to SAMA, with its controlling holding, eight other banks are shareholders—including, principally, Morgan Guaranty with 20 per cent.

Mr. Prindl said that the 1980 balance sheet would show increasing emphasis on Saudi Bank's international loan portfolio and rather less on the money market investments which made up the better part of the bank's assets till last year.

He added that present plans were to continue the expansion of Saudi International Bank at roughly the rate of $1bn a year.

The increased rate of growth of the bank suggests a Saudi Arabian desire to increase SAMA's involvement in the international banking market as a provider of capital as well as a depositor.

Strong earnings and sales advance at Green Cross

BY YOKO SHIBATA IN TOKYO

GREEN CROSS Corporation, Japan's top manufacturer of high-protein medicines, raised sales and earnings strongly in the year to December 31. The company has attracted attention with its development of artificial blood, and is planning to start clinical tests in this field in the U.S. and West Germany.

The company is also one of three institutions (Green Cross, Toray and Japan's Red Cross) manufacturing interferon in Japan, with a production capacity at present of 3bn units a month, for clinical tests. It plans to have the world's largest output, of 30bn units a month, by the end of 1981.

Green Cross's operating profits rose 23 per cent to Y10.91bn ($53.2m). Net profits advanced to Y4.53bn, up 16.1 per cent, on sales of Y59.962bn ($292m), up 31.7 per cent. The company has declared a 30th anniversary commemorative dividend of Y2.5 a share to make a Y10 dividend for the year.

For the current year, the revision of the drug price standards, expected this April, will, it is feared, have a considerable impact on earnings. The company expects a sales contribution from an improved version of Venogleobulyn (marketed from January 1981) and protein infusions.

Aquila sees second bid in prospect

By Our Sydney Correspondent

THE DIRECTORS of Aquila Steel have raised the prospect of a counter to the A$37m (US$ 43m) take-over bid by Pioneer Sugar Mills. They said the company had been approached by a major group which sees areas in which its expertise is complementary to that of Aquila. Discussions were under way which might lead to a more attractive proposal to shareholders.

Pioneer is bidding A$2.55 cash a share but the Aquila directors rejected this as inadequate and said that the Board, which controls 43 per cent of the capital would not accept. Aquila directors, who had previously spoken of "modest profits" for the December half-year revealed that earnings dropped 30 per cent, from A$1.56m (US$ 1.8m) to A$1.08m.

But the Board argued that the December, 1979, half profit should have been adjusted to A$658,000 because of write-downs found to be necessary because of overstatement of U.S. results. The Aquila directors forecast that the net profit would still come out at A$3m for the current year, to June, and would be A$5m in 1981-82. They revealed that turnover rose 35 per cent to A$69.3m (US$ 80m) in the half, and predicted a 50 per cent increase.

They also said that the company was well placed to take advantage of the resources boom, and that the value of current orders was more than A$50m. Despite this, the interim dividend is again omitted

Scheme accepted for Massey Australia

BY JAMES FORTH IN SYDNEY

THE VICTORIAN Supreme Court yesterday approved a scheme of arrangement for the Massey-Ferguson group in Australia and dismissed a petition by a creditor, Capel Court, the merchant bank, for the winding up of the Massey Australia finance company operation.

The approval of the scheme means that the receivership under which the companies have operated since December 22 will be terminated. The scheme is the outcome of events which followed the profitable Massey-Ferguson Finance (Australia) not meeting payment on A$3m of commercial bills at the request of its Canadian parent, on the grounds that payment could have jeopardised the C$700m rescue scheme being put together for Massey.

Capel Court, an associate of Midland Bank, of the UK, sought to wind-up Massey Ferguson Finance, to "preserve the sanctity" of the bills of exchange market. The Massey-Ferguson Group responded by appointing receiver-managers, and the other 13 creditors agreed to a scheme of arrangement which allowed the Massey Ferguson companies to postpone debt payment. The approval of the court makes the scheme binding upon Capel.

Boost for Talbot seen as Iran car output picks up

BY TERRY POVEY IN TEHRAN

IRAN NATIONAL, the main car production and assembly company in Iran, is at present producing 1,500 cars a week, which is about 65 per cent of pre-revolution levels, and imports of completely knocked down (ckd) kits from Talbot UK running at 1,500 to 1,800 a week are expected to rise to 2,000 soon, company officials say.

Recently Iranian officials announced plans to standardise private car production on what they call the "people's car" using as far as possible locally produced components. At present, engine blocks for the 1600 cc Avenger model are made in Iran as are the bodies and many other parts. Plans are being drawn up for gear-box production and for expanding the work of the existing foundry.

Talbot representatives in Iran speak of a "genuine desire among Iran National management to expand the rate of vehicle production as quickly as possible," and say that domestic demand for the vehicles remains high, despite the petrol rationing introduced because of the Gulf war.

The Talbot shipments to Iran National, as state-owned company employing nearly 14,000 workers in the main plant just outside Tehran and thousands more in subsidiaries producing parts for the vehicle, are worth £130m ($291m) a year at present. Of this £25m is for spare parts and the rest payment for the kits themselves. Should production reach the pre-revolution levels of 120,000 cars a year, almost £200m will be involved in this deal, which Talbot describes as the "biggest ckd shipment arrangement in the world."

APPOINTMENTS

Executive posts at Chubb

CHUBB AND SON has made the following appointments to take effect from April 1.

Mr. T. S. Braybrooke, in addition to his duties as group deputy managing director, assumes main board responsibility as international product director for physical security products in the UK and overseas. He is also appointed chairman of Josiah Parkes and Sons (Holdings).

Mr. D. N. Dring will become chairman of Chubb Fire Security and of Chubb Electronics with main board control as international product director for fire and burglar alarm products in the UK and overseas. Mr. A. L. Markham will have main board responsibility as regional director for North America and South Africa.

Mr. P. G. Crossland is to be managing director, Chubb Fire Security; Mr. R. G. Bond-Gunning, managing director, Chubb Electronics; Mr. D. S. Maitland, chairman of Josiah Parkes and Sons Limited; and Mr. D. F. Langley, managing director of that concern.

★

PHILIPS BUSINESS SYSTEMS is to reorganise its low-end business computer marketing and distribution from March 1.

The group's office computer systems operation (OCS) will be merged with the business equipment division, where Mr. Geoff Hoddinott has been appointed deputy divisional director to Mr. Reg Parry. Mr. Eurfyl ap Gwilym will become general manager responsible for the direct sales activities of OCS within that division.

Philips' small business computer operation (SBC) will now be part of the data processing division, where Mr. Peter Cox has been made general manager, SBC, reporting to divisional director, Mr. Tony Nevison.

★

Mr. G. R. Hargreaves has been appointed financial director of the GOODYEAR TYRE AND RUBBER COMPANY (GREAT BRITAIN) replacing Mr. Oren Shaffer who is moving to Goodyear France.

★

Mr. E. G. Bruno, chief manager of the London branch of CREDITO ITALIANO, is returning to Italy. He will be succeeded by Mr. Guido C. Schiavi, formerly deputy manager of the New York branch of the bank.

★

Dr. Paul King has been appointed marketing director of TI RALEIGH following the reorganisation of the company's marketing department after the resignation of Mr. Alex Clark as director of marketing UK. Dr. King will combine his previous position of product planning director with that of marketing director, responsible for both the UK and Europe. Mr. Jamie Justham has been made marketing manager. Mr. Ken Collins continues as sales director, and Mr. Tony Hallam is now dealer development manager.

★

Mr. Leslie Davies is to become managing director from March 1 of FLEET FINANCIAL PUBLISHING, owner of Financial Weekly and part of the Trafalgar House Group. He is at present a director of two Morgan-Grampian subsidiaries.

★

The Secretary for Trade has appointed Mr. Brian Smith as a part-time member of the CIVIL AVIATION AUTHORITY for three years. He succeeds Mr. A. Maxwell Stamp, who will retire from the Authority on April 30.

OVERSEAS

Mr. Bill Clendenin, formerly head of McKinsey in Australia, Mr. Bill Gurry, for the past two years a director of Hill Samuel Australia, and Mr. Barry McFadzean, a non-executive director of S. G. Warburg and Co., have been appointed executive directors of AUSTRALIAN BANK. Mr. Mark Johnson, previously a director of Hill Samuel is chief executive of the new Australian Bank.

★

INTERNATIONAL TELEPHONE AND TELEGRAPH CORPORATION states that Mr. Felix G. Rohatyn, a senior partner in Lazard Freres and Co., will not stand for re-election to the ITT Board at the annual meeting on May 13. He will be succeeded by Mr Michel David-Weill, managing partner of Lazard Freres.

★

Mr. George M. Baker has been appointed general manager, corporate banking, at the Sydney branch of LLOYDS INTERNATIONAL, a subsidiary of Lloyds Bank International. Mr. John R. Eggleshaw is to be manager of international banking services for Lloyds Bank International in Australia and New Zealand. He will be resident in Australia.

Companies and Markets

CURRENCIES, MONEY and GOLD

Dollar improves

Dollar finished slightly firmer on the day after nervous trading in the foreign exchange market. Interest rates remained the major factor influencing trading, with Euromark rates *rising very sharply before the* German Bundesbank intervened in its domestic money market to set a Lombard rate of 12 per cent from today. In the Frankfurt money market call money touched 18 per cent, while in Paris call money was quoted at 11¼ per cent, the highest level this year.

Sterling eased against the dollar and in terms of the D-mark, but rose slightly against the French franc. London interest rates continued to ease in expectation of a cut in Bank of England Minimum Lending Rate at the Budget next month.

European currencies showed some movement within the European Monetary System. The French franc replaced the gilder as the strongest member, and the D-mark was much firmer.

DOLLAR — trade-weighted index *(Bank of England)* rose to 99.8 from 99.5. The U.S. currency improved to DM 2.1160 from *DM 2.1110* against the D-mark after falling to DM 2.0850. The dollar also rose to SwFr 1.9175 from SwFr 1.9040 in terms of the Swiss franc.

STERLING — trade-weighted index (Bank of England) fell to 99.5 from 100.4 after opening at 99.8 and falling to 99.5 at noon. The pound opened at $2.2320-2.2330, and touched a peak of $2.2510-2.2525 before easing to $2.2450 at noon. Sterling fell to a low point of $2.2250-2.2260 in the afternoon, and closed at $2.2335-2.2345, a fall of 1.15 cents on the day. The easier trend in Eurosterling interest rates, coupled with the sharp rise in Euromark rates left the pound at a premium against the D-mark for forward delivery.

D-MARK — Central bank intervention has helped the D-mark make a partial recovery after its recent weak trend brought about by high foreign interest rates, a favourable reaction to the new U.S. Administration's economic policies, and Germany's considerable balance of payments deficit. The D-mark's weakness has also increased strains within the European Monetary System, while tension over Poland has added to the problem surrounding the German currency. The higher trend in German interest rates kept the D-mark firm in hectic Frankfurt trading. The Bundesbank did not intervene when the dollar was fixed at DM 2.1040 compared with DM 2.1075, while sterling fell to DM 4.7170 from DM 4.7810. Interest rates were the major factor influencing the market as one-month Euromarks rose briefly above the similar period Eurodollar rate, before declining as the Bundesbank announced that its special Lombard facility will be set at 12 per cent *until further notice.*

ITALIAN LIRA—Weakest member of the EMS and recently touching record lows against the dollar and sterling. Dollar strength has also increased concern over Italy's very weak balance of payments position, with many imports including oil settled in dollars.—The lira improved against most currencies at the Milan fixing, with the dollar easing to L1,008.05 from L1,008.55, and sterling to L2,257.20 from L2,288.40. The Swiss franc fell to L529.10 from L532.90, while within the EMS most members declined against the lira. The French franc fell to L205.09 from L205.35 and the Guilder to L438.40 from L439.06. On the other hand the D-mark rose to L479.38 from L478.60.

THE POUND SPOT AND FORWARD

Feb. 24	Day's Spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.2250-2.2525	2.2335-2.2345	0.40-0.50c dis	−2.42	2.28-2.38dis	−4.17
Canada	2.6880-2.6800	2.6760-2.6770	0.70-0.80c dis	−3.36	2.90-3.05dis	−4.45
Nethlnd.	5.15-5.23	5.20-5.21	1⅞-⅞c pm	3.17	3-2 pm	1.92
Belgium	76.30-77.60	77.15-77.25	8c pm-2 dis	0.47	17-27 dis	−1.14
Denmark	14.58-14.72	14.63-14.65	2-¼ore pm	0.92	2¾-4¾ dis	−1.02
Ireland	1.2690-1.2876	1.2795-1.2815	0.30-0.93p dis	−5.76	0.58-0.70dis	−1.97
W. Ger.	4.67-4.77	4.72¼-4.73¼	¼-1¼pf dis	−1.90	¾-1¾ dis	−1.06
Portugal	125.00-127.00	125.30-125.60	90c pm-30 dis	2.87	105pm-130ds	−0.40
Spain	181.50-193.75	192.20-192.30	10-70c dis	−2.50	195-280dis	−4.94
Italy	2265-2280	2269-2271	5½-7½lire dis	−3.30	30½-33½dis	−5.64
Norway	12.00-12.10	12.04-12.06	½ore pm-par	0.25	½ pm-1½dis	−0.19
France	10.97-11.11	11.09-11.10	1½-½c pm	1.08	1-2 dis	−0.54
Sweden	10.26-10.34	10.27-10.29	3-4ore dis	−4.08	13¾-14¾dis	−5.54
Japan	460-470	462-463	1.80-1.60y pm	4.41	4.10-3.75 pm	3.39
Austria	33.20-33.70	33.57-33.62	10-6gro pm	2.86	17-10 pm	1.81
Switz.	4.25-4.31	4.28-4.29	2¼-1¾c pm	4.55	5¾-4¾ pm	4.55

Belgian rate is for convertible francs. Financial franc 78.85-78.95. Six-month forward dollar 5.10-5.20c dis. 12-month 8.30-8.60c dis

THE DOLLAR SPOT AND FORWARD

Feb. 24	Day's Spread	Close	One month	% p.a.	Three months	% p.a.
UK†	2.2250-2.2525	2.2335-2.2345	0.40-0.50c dis	−2.42	2.28-2.38dis	−4.17
Ireland†	1.7380-1.762	1.7380-1.7400	0.07-0.17c dis	−0.82	0.90-1.00dis	−2.16
Canada	1.1961-1.1989	1.1986-1.1989	0.05-0.10c dis	−0.75	0.05-0.10dis	−0.25
Nethlnd.	2.3005-2.3260	2.3100-2.3150	1.15-1.05c pm	5.71	3.63-3.53 pm	6.19
Belgium	34.10-34.58	34.56-34.58	11-9c pm	3.48	31-28 pm	3.42
Denmark	6.5050-6.5600	6.5300-6.5350	2.35-1.85ore pm	3.86	5.10-4.60 pm	2.97
W. Ger.	2.0850-2.1350	2.1155-2.1165	0.20-0.10pf pm	0.85	1.65-1.55 pm	3.02
Portugal	55.30-56.60	56.35-56.55	50c pm-par	5.31	100 pm-par	3.54
Spain	85.65-86.60	86.15-86.35	15c pm-5 dis	0.69	5 pm-25 dis	−0.46
Italy	1006-1020	1015-1018	½-1½lire dis	−1.03	4-5½ dis	−1.87
Norway	5.3650-5.3850	5.3720-5.3770	1.50-1.00ore pm	2.79	5.35-4.85 pm	3.79
France	5.8900-5.0000	4.9700-4.9800	1.72-1.62c pm	4.03	4.70-4.50 pm	3.70
Sweden	4.5820-4.5965	4.5930-4.5945	0.30-0.50ore dis	−1.04	1.20-1.40dis	−1.13
Japan	206.50-208.50	206.85-206.95	1.25-1.10y pm	6.81	3.95-3.80 pm	7.49
Austria	14.88½-15.05	15.00-15.05	6.90-6.30gro pm	5.27	20.00-18.00pm	5.06
Switz.	1.8950-1.9350	1.9170-1.9180	1.18-1.10c pm	7.13	4.06-3.96 pm	8.38

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

CURRENCY MOVEMENTS

Feb. 24	Bank of England Index	Morgan Guaranty Changes%
Sterling	99.4	−26.7
U.S. dollar	99.8	−4.1
Canadian dollar	84.8	−18.5
Austrian schilling	115.4	+22.7
Belgian franc	107.6	+8.8
Danish kroner	91.7	−9.4
Deutsche mark	120.1	+39.3
Swiss franc	135.1	+75.1
Guilder	112.6	+16.8
French franc	86.5	−9.5
Lira	61.5	−55.1
Yen	146.4	+42.4

Based on trade weighted changes from Washington agreement Decembr. 1971. Bank of England Index (base average 1975=100).

CURRENCY RATES

Feb. 20	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	14	0.544214	0.537465
U.S. $	13	1.23319	1.22331
Canadian $	17.14	1.47564	1.45901
Austria Sch.	6¾	18.4078	18.1949
Belgium F.	12	42.0641	41.5456
Danish K.	11	8.03953	7.93814
D mark	7½	2.59895	2.56547
Guilder	9	2.83654	2.80306
French Fr.	9½	6.05743	5.98448
Lira	16½	1243.67	1229.47
Yen	7¼	254.654	253.520
Norwgn. Kr.	9	6.55132	6.50244
Spanish Pts.	8	105.801	104.398
Swedish Kr.	12	5.63284	5.54901
Swiss Fr.	4	2.34491	2.31001
Greek Dr'ch.	—	—	61.9797

OTHER CURRENCIES

Feb. 24	£	$		£ Note Rates
Argentina Peso	5001-5021	2245-2255	Austria	33.10-33.50
Australia Dollar	1.9205-1.9245	0.8610-0.8615	Belgium	77.50-78.30
Brazil Cruzeiro	159.18-160.18	71.51-71.87	Denmark	14.58-14.73
Finland Markka	9.048-9.072	4.0700-4.0750	France	10.96-11.06
Greek Drachma	112.289-115.110	50.50-50.65	Germany	4.70-4.74½
Hong Kong Dollar	11.77-11.80	5.2825-5.2925	Italy	2280-2365
Iran Rial	169.38*	74.80*	Japan	465-471
Kuwait Dinar(KD)	0.609-0.615	0.2739-0.2743	Netherlands	5.13-5.18
Luxembourg Frs.	77.15-77.25	34.56-34.58	Norway	11.98-12.08
Malaysia Dollar	5.0740-5.0890	2.2770-2.2820	Portugal	124-128
New Zealand Dlr	2.4045-2.4095	1.0765-1.0775	Spain	188½-200½
Saudi Arab. Riyal	7.43-7.49	3.3390-3.3410	Sweden	10.25-10.35
Singapore Dollar	4.6460-4.6610	2.0850-2.0900	Switzerland	4.24-4.28½
Sth African Rand	1.7445-1.7480	0.7810-0.7825	United States	2.23½-2.25½
U.A.E. Dirham	8.17-8.23	3.6725-3.6745	Yugoslavia	78½-82

Rate given for Argentina is free rate. * Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU February 24	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	39.7897	41.5597	+4.45	+1.48	±1.53
Danish Krone	7.72336	7.95203	+2.96	−0.01	±1.64
German D-Mark	2.48208	2.55523	+2.95	−0.02	±1.125
French Franc	5.84700	5.97436	+2.18	−0.79	±1.3557
Dutch Guilder	2.74362	2.80996	+2.42	−0.55	±1.512
Irish Punt	0.668201	0.693220	+3.74	+0.77	±1.668
Italian Lira	1157.79	1225.03	+5.81	+3.02	±4.05

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

Feb. 24	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	2.234	4.728	462.5	11.095	4.285	5.205	2270.	2.677	77.20
U.S. Dollar	0.448	1.	2.116	207.0	4.966	1.918	2.330	1016.	1.198	34.56
Deutschemark	0.212	0.473	1.	97.83	2.347	0.906	1.101	480.2	0.566	16.33
Japanese Yen 1,000	2.162	4.830	10.22	1000.	23.99	9.265	11.25	4908.	5.787	166.9
French Franc 10	0.901	2.014	4.261	416.9	10.	3.862	4.691	2046.	2.412	69.58
Swiss Franc	0.233	0.521	1.103	107.9	2.589	1.	1.215	529.8	0.625	18.02
Dutch Guilder	0.192	0.429	0.908	88.86	2.132	0.823	1.	436.1	0.514	14.83
Italian Lira 1,000	0.441	0.984	2.083	203.7	4.888	1.888	2.293	1000.	1.179	34.01
Canadian Dollar	0.374	0.835	1.766	172.8	4.145	1.601	1.945	848.1	1.	28.84
Belgian Franc 100	1.295	2.894	6.124	599.1	14.37	5.551	6.742	2940.	3.467	100.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

Feb. 24	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	14-14¼	14¾-15	14½-15½	8¾-8⅞	3½-4	12-14	11-11¼	15¾-17½	9-10	8-8½
7 days' notice	14-14¼	15-15¼	14½-15½	8⅞-9	16½-17	14-16	9¾-10¼	16¼-18¼	11¼-11¾	8½-8¾
Month	13 7/16-13 9/16	15¾-16	16⅜-16¾	9⅛-9⅝	7 7/16-7 9/16	14⅛-14⅜	11¾-12¼	16¾-17¾	12½-12⅝	8⅝-8⅞
Three months	12⅝-12⅞	16½-16¾	16½-16⅞	9 15/16-10 1/16	7 7/16-7 9/16	12⅞-13⅛	12¾-13¼	17⅞-18⅞	13¼-13½	8⅝-8⅞
Six months	12-12¼	16½-16¾	15⅞-16¼	10-10¼	7¾-7⅞	12⅝-12⅞	12¾-13¼	18⅛-19⅛	13¾-13⅞	8⅜-8⅝
One Year	11 11/16-12	15⅞-16⅛	15⅛-15⅜	10 3/16-10½	7¼-7⅜	11⅞-12⅛	12¾-13¼	18⅜-19⅜	13¾-13⅞	8½-8¾

SDR linked deposits: one-month 13⅞-13½ per cent; three-months 13 9/16-13 11/16 per cent; six-months 13 5/16-13 7/16 per cent; one year 12 15/16-13 3/16 per cent.

Asian $ (closing rates in Singapore) one-month 15 11/16-15 13/16 per cent; three months 16⅝-16⅞ per cent; six-month 16 5/16-16 7/16 per cent; one year 15 11/16-15 13/16 per cent. Long-term Eurodollars two years 15⅝-15⅞ per cent; three years 15⅜-15⅝ per cent; four years 15⅞-15⅜ per cent; five years 15-15⅞ per cent; nominal closing rates. Short-term rates are call for sterling, U.S. dollars, Canadian dollars and Japanese yen; others two-days' notice.

The following nominal rates were quoted for London dollar certificates of deposit: one-month 15.70-15.80 per cent; three-months 15.85-15.95 per cent; six-months 16.00-16.10 per cent; one year 15.30-15.40 per cent.

FT LONDON INTERBANK FIXING (11.00 a.m. FEBRUARY 24)

3 months U.S. dollars		6 months U.S. dollars	
bid 16 1/2	offer 16 5/8	bid 16 9/16	offer 16 11/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

INTERNATIONAL MONEY MARKET

German rates firm

Call money was quoted between 12 per cent and 15 per cent in the Frankfurt money market yesterday morning, compared with 11½ per cent to 12 per cent on Monday, and just over 9 per cent at the same time last week. The Bundesbank's new special Lombard facility was not made available to the market during nervous and hectic early trading.

The tightness of the market appeared to catch operators by surprise, but probably continues to reflect the central bank's recall of all existing debt under the previous Lombard system at the end of last week. Firm quotations were not available for period rates, but market estimates suggested elvels of a rise to 11.25-11.75 per cent from 11.00-11.05 per cent for three-month money, with six-month and 12-month at *11.00-11.50* per cent, compared with 10.75-11.50 per cent.

Later in the day the central authorities offered to make available the special Lombard facility today at a level of 12 per cent until further notice, but call money remained firm at 12-18 per cent.

In Paris call money remained very firm, rising to 11¼ per cent from 11 1/16 per cent, the highest level since December 19. Term rates also increased, with one-month rising to 11¾-11⅞ per cent from 11 9/16-11 11/16 per cent; three-month to 12¼-12⅜ per cent from 12 1/16-12 3/16 per cent and six-month and 12-month to 13-13¼ per cent from 12 11/16-12 13/16 per cent.

In Amsterdam call money was quoted at 8¾-9¼ per cent compared with 9-9½ per cent, while period rates were generally firmer. Three-month funds rose to 10-10¼ per cent from 9¾-9⅞ per cent, and six-month to 10⅛-10⅜ per cent from 9⅞-10⅛ per cent.

MONEY RATES

NEW YORK	
Prime Rate	18½-19
Fed. Fund	15-15¾
Treasury Bills (13-week)	14.14
Treasury Bills (26-week)	13.63
GERMANY	
Discount Rate	7.5
Overnight Rate	15.00
One month	10.75
Three months	11.50
Six months	11.25
FRANCE	
Discount Rate	9.5
Overnight Rate	11.25
One month	11.8125
Three months	12.8125
Six months	13.0625
JAPAN	
Discount Rate	7.25
Call (Unconditional)	8.4375
Bill Discount (three-month)	—

UK MONEY MARKET

Rates ease

Bank of England Minimum Lending Rate 14 per cent (from November 24, 1980)

Short-term interest rates continued to ease in the London money market yesterday in expectation of a sharp fall in Bank of England Minimum Lending Rate at next month's Budget. Discount houses buying rates for three-month Treasury bills eased to 11 13/16 per cent from 11 13/16-11 15/16 per cent, and three-month eligible bank bills to 11¾ per cent from 12 1/16-12 3/16 per cent. To help the market through the difficult period *resulting* from the payment of petroleum revenue tax the Bank of England announced a reduction in banks' reserve asset ratios to 8 per cent from 10 per cent from March 2 until the Budget on March 10.

Day-to-day credit was in adequate supply once again and the authorities did not intervene. Banks brought forward small surplus balances and the market was also helped by a small excess of government disbursements over revenue payments to the Exchequer.

Discount houses paid 13¼-13¾ per cent for secured call loans, but overnight loans touched 18 per cent in the interbank market.

GOLD

Little change

Gold showed little change in quiet London bullion trading, closing at $500-503, a fall of $1 on the day. It also opened at $500-503, and was fixed at $503.75 in the morning and $503.00 in the afternoon. With no new factors to influence the market gold touched a peak of $502-505, but eased slightly in reaction to the firmness of the dollar.

In Paris the 12½ kilo gold bar was fixed at FFr 86,900 per kilo ($550.04 per ounce) in the afternoon, compared with FFr 87,500 *($549.80) in the morning, and* FFr 87,600 ($554.69) Monday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 34,175 per kilo ($505.58 per ounce), compared with DM 34,450 ($507.48), and finished at $501-504, unchanged from Monday.

In Zurich gold closed at $502-505, compared with $501-504 previously.

	Feb. 24		Feb. 23	
Gold Bullion (fine ounce)				
Close	$500-503	(£224½-226)	$501-504	(£221¾-223)
Opening	$500-503	(£223½-225)	$507-510	(£223½-225)
Morning fixing	$505.75	(£224.038)	$506.50	(£223.225)
Afternoon fixing	$503	(£224.905)	$501.50	(£222.001)
Gold Coins				
Krugerrand	$516-520	(£231¼-232¼)	$515½-518½	(£230-230¾)
½ Krugerrand	$266-268	(£118½-120)	$267-268	(£118¾-118¼)
¼ Krugerrand	$136-138	(£60¾-61¾)	$135-136	(£60-60½)
1/10 Krugerrand	$56-57	(£25-25½)	$55½-56½	(£24¾-25¼)
Mapleleaf	$513-516	(£229½-230½)	$512-514	(£226-228¾)
New Sovereigns	$126-127	(£56¼-56¾)	$126-127	(£56-56½)
King Sovereigns	$151-153	(£67¾-68¾)	$151-153	(£66¾-67¾)
Victoria Sovs.	$151-153	(£67¾-68¾)	$151-153	(£66¾-67¾)
French 20s	$168-171	(£75¼-76½)	$165-168	(£73½-74¾)
50 pesos Mexico	$630-634	(£282-283¾)	$630-634	(£280½-282¼)
100 Cor. Austria	$490-495	(£219¼-221½)	$491-496	(£218½-220¾)
$20 Eagles	$630-638	(£282-284¼)	$631-636	(£281-283)

LONDON MONEY RATES

Feb. 24 1981	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ◆	Eligible Bank Bills ◆	Fine Trade Bills ◆
Overnight	—	14-18	15⅛-16	—	—	14¼-14⅜	13¼-13¾	—	—	—
2 days notice	—	—	14-14⅛	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	14⅛-14⅜	14	—	14¼	14⅛	13⅞-14	—	—	—
One month	13 7/16-13 9/16	13 7/16-13⅝	13⅜-13¾	14⅛-13¾	13⅛	13⅞-14	13-13⅛	12 13/16	13¼	13 13/16
Two months	12 11/16-12 13/16	12 13/16-13	—	13⅛-13¼	13 1/16	13¼	12½	12 3/16	12 9/16-12 11/16	12⅞
Three months	12 9/16-12 11/16	12¼-12⅜	12¼-12⅛	12⅝-12⅜	12⅞	12⅞-13	12-12⅛	11 13/16	11¾	12⅛
Six months	12⅛-12	12 1/16-12¼	12-12⅜	12⅛-12¼	12⅝	12¾	—	—	11⅝	12
Nine months	12 1/16-11 15/16	12-12¼	—	12⅜-12⅛	12⅝	12¾	—	—	—	—
One year	12 1/16-11 15/16	12-12¼	12-12¼	12⅜-12⅛	12⅝	12¾	—	—	—	—
Two years	—	—	12¾-13	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days' fixed. Long-term local authority mortgage rates nominally three years 13⅛-13⅜ per cent; four years 13¼-13½ per cent; five years 13⅜-13½ per cent. ◆Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 11⅝ per cent; four-month trade bills 12¾ per cent.

Approximate selling rate for one-month Treasury bills 12 11/16 per cent; two-months 12⅞ per cent; three-months 11⅝ per cent. Approximate selling rate for one-month bank bills 12⅞ per cent; two-months 12 9/16 per cent; three-months 11 13/16 per cent; one-month trade bills 13 11/16 per cent; two-months 12⅞ per cent and three-months 12¾ per cent.

Finance Houses Base Rates *(published by the Finance Houses Association) 15 per cent from February 1, 1981.* Clearing Bank Deposit Rates for sums at seven days' notice 11½-12 per cent. Clearing Bank Rates for lending 14 per cent. Treasury Bills: Average tender of discount 12.202 per cent.

COMPANY NOTICES

CITY OF BERGEN

1973/1991 7½% Lux. Frs. Loan

Notice is hereby given to bondholders of the above loan that the amount redeemable on April 10, 1981, i.e. 25,000,000 Lux. Frs. was bought in the market.

Amount outstanding: Lux. Frs. 325,000,000.

Luxembourg, February 25, 1981

The Fiscal Agent
KREDIETBANK
S.A. Luxembourgeoise

Q.P. CORPORATION (Q.P. Kabushiki Kaisha)

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS ("EDRs")

EDR-holders are informed that the sixty-eighth Ordinary General Meeting of Shareholders of Q.P. Corporation will be held at 10 a.m. (Tokyo time) on Friday, 27th February 1981 at the Head Office of the Company (6th Floor Conference Room), 4-13, Shibuya 1-Chome, Shibuya-ku, Tokyo, Japan, to transact the following business:—

1. Approval of the balance sheet as of 30th November 1980, business report and statement of income and proposed appropriation of retained earnings for the 68th business term (from 1st December 1979 to 30th November 1980);
2. Election of 17 Directors;
3. Election of 2 Statutory Auditors; and
4. Granting of retirement gratuities to retiring Statutory Auditor.

Copies of the business report, non-consolidated financial statements and further information on the matters to be considered at the above meeting are available at the office of the Depositary, Kleinwort, Benson Limited, 20 Fenchurch Street, London EC3P 3DB or the Agent, Banque Generale du Luxembourg S.A., 14 rue Aldringen, Luxembourg.

EDR-holders wishing to vote at the meeting should instruct the Depositary in writing *by the close of business in London on* 25th February 1981 as to how they wish to vote. Instructions must be accompanied by either (i) EDRs evidencing the relevant number of Deposited Shares in respect of which they wish to exercise their voting rights or (ii) a certificate from the Agent (or from another bank approved by the Depositary) stating that the relevant EDRs have been deposited with it and are to be held in a blocked account until after the Meeting or any adjournment thereof.

KLEINWORT, BENSON LIMITED
Depositary

London
23rd February 1981

THE "SHELL" TRANSPORT AND TRADING COMPANY, LIMITED

NOTICE IS HEREBY GIVEN that a balance of the Register will be struck on *Wednesday 4th March,* 1981 for the preparation of the half-yearly dividend payable on the First Preference Shares for the six months ending 31st March, 1981. The dividend will be paid on 1st April, 1981.

For Transferees to receive this dividend, their transfers must be lodged with the Company's Registrar, Lloyds Bank Limited, Registrar's Department, Goring-by-Sea, Worthing, Sussex, not later than 3.00 p.m. on Wednesday, 4th March, 1981.

By Order of the Board
G. J. OKELL, Secretary.

Shell Centre,
London, SE1 7NA.
20th February, 1981.

THE COMMERCIAL BANKING COMPANY OF SYDNEY LIMITED

NOTICE IS HEREBY GIVEN that the Transfer Books and Register of Noteholders will be closed from 24 March 1981 to 31 March 1981, both days inclusive, for the purpose of payment of Convertible Unsecured Note Interest.

Transfers for registration prior to such closing must be lodged before 5 pm on Thursday, 12 March 1981.

BY Order of the Board,
G. J. WATKINS, Secretary.

Sydney,
25 February 1981.

BASS CHARRINGTON LIMITED (BASS LIMITED)

7% 1973/1991 UA 30,000,000

Notice is hereby given to Bondholders of the above Loan that the amount redeemable on March 1, 1981, i.e. UA 1,050,000, was bought in the market. Amount outstanding: UA 22,350,000.

Principal Paying Agent:
Kredietbank S.A., Luxembourgeoise.
Luxembourg,
February 25, 1981.

CLUBS

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Telex: 25185 melis ch

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LEGAL NOTICES

IN THE MATTER OF RAVELSTON BUSINESS MANAGEMENT LIMITED AND IN THE MATTER OF THE COMPANIES ACT 1948.

NOTICE IS HEREBY GIVEN that the Creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 20th day of March, 1981, to send in their full Christian and surnames, their *addresses and descriptions,* full particulars of their debts or claims, and the names and addresses of their Solicitors (if any) to the undersigned

LAURENCE JACK GERRARD,
Chartered Accountant,
of Adam House,
14 New Burlington Street,
London W1X 2BU,

the Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 18th day of February, 1981.
L. J. GERRARD, Liquidator.

IN THE MATTER OF L. A. LEWIS (BUSINESS CENTRES) LIMITED AND IN THE MATTER OF THE COMPANIES ACT 1948

NOTICE IS HEREBY GIVEN that the Creditors of the above-named Company which is being voluntarily wound up are required, on or before the 20th day of March, 1981, to send in their *full Christian and surnames,* their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any) to the undersigned

LAURENCE JACK GERRARD,
Chartered Accountant,
of Adam House,
14 New Burlington Street,
London W1X 2BU,

the Liquidator of the said Company and, if so required, by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 19th day of February, 1981
L. J. GERRARD, Liquidator

PUBLIC NOTICES

THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA

VARIABLE RATE REDEEMABLE STOCK 1983

The Council of The Royal Borough of Kensington and Chelsea announce that the half-yearly payment of interest due on 24th August, 1981 on the above stock will be at the rate of £6.6875 (less income tax) per £100 of stock.

EXHIBITIONS

JAPANESE ART — 17-28th Feb. Screens, paintings, Prints & Drawings. Covent Garden Gallery Ltd., 20, Russell Street, WC2. Tel. 836 1139.

BASE LENDING RATES

A.B.N. Bank	14 %
Allied Irish Bank	14 %
American Express Bk.	14 %
Amro Bank	14 %
Henry Ansbacher	14 %
AP Bank Ltd.	14 %
■ Arbuthnot Latham	14 %
Associates Cap. Corp.	14 %
Banco de Bilbao	14 %
BCCI	14 %
Bank of Cyprus	14 %
Bank of N.S.W.	14 %
Banque Belge Ltd.	14 %
Banque du Rhone et de la Tamise S.A.	14½%
Barclays Bank	14 %
Beneficial Trust Ltd.	15 %
Bremar Holdings Ltd.	15 %
Brit. Bank of Mid. East	14 %
■ Brown Shipley	14 %
Canada Perm't Trust	15 %
Cayzer Ltd.	14 %
Cedar Holdings	14 %
■ Charterhouse Japhet	14 %
Choulartons	14 %
C. E. Coates	14 %
Consolidated Credits	14 %
Co-operative Bank	*14 %
Corinthian Secs.	14 %
The Cyprus Popular Bk.	14 %
Duncan Lawrie	14 %
Eagil Trust	14 %
E. T. Trust Limited	14 %
First Nat. Fin. Corp.	16½%
First Nat. Secs. Ltd.	16 %
Robert Fraser	14 %
Antony Gibbs	14 %
Greyhound Guaranty	14 %
Grindlays Bank	‡14 %
■ Guinness Mahon	§14 %
■ Hambros Bank	14 %
■ Hill, Samuel	§14 %
C. Hoare & Co.	†14 %
Hongkong & Shanghai	14 %
Keyser Ullmann	14 %
Knowsley & Co. Ltd.	16 %
Langris Trust Ltd.	14 %
Lloyds Bank	14 %
Edward Manson & Co.	15 %
Midland Bank	14 %
■ Samuel Montagu	14 %
■ Morgan Grenfell	14 %
National Westminster	14 %
Norwich General Trust	14 %
P. S. Refson & Co.	14 %
Rossminster	14 %
Ryl. Bk. Canada (Ldn.)	14 %
Slavenburg's Bank	14 %
E. S. Schwab	14 %
Standard Chartered	‖14 %
Trade Dev. Bank	14 %
Trustee Savings Bank	14 %
Twentieth Century Bk.	14 %
United Bank of Kuwait	14 %
Whiteaway Laidlaw	14½%
Williams & Glyn's	14 %
Wintrust Secs. Ltd.	14 %
Yorkshire Bank	14 %

■ Members of the Accepting Houses Committee.
* 7-day deposits 11½%. 1-month 11¾%. Short term £4,000/12 months 13.35%.
† 7-day deposits on sums of £10,000 and under 11½%, up to £50,000 12%, and over £50,000 12½%.
‡ Call deposits £1,000 and over 11½%.
¶ 7-day deposits 12%.
§ Demand deposits 12%.
‖ 21-day deposits over £1,000 13%.

EUROPEAN OPTIONS EXCHANGE

Series		April Vol.	April Last	July Vol.	July Last	Oct. Vol.	Oct. Last	Stock
ABN C	F.280	4	16.50	—	—	—	—	F.291
ABN C	F.300	74	7	6	8	—	—	,,
ABN C	F.320	2	2 B	15	3	—	—	,,
AKZO C	F.15	15	2.80 B	1	3 B	—	—	F.17.80
AKZO C	F.17.50	275	1.10	158	1.80	18	2.30 B	,,
AKZO C	F.20	153	0.60 B	149	1.20	84	1.50 B	,,
AKZO C	F.22.50	10	0.20 A	10	0.30 A	—	—	,,
AKZO P	F.17.50	72	1 A	15	1 A	10	1.40	,,
AKZO P	F.20	—	—	—	—	10	2.50 B	,,
KODA C	$70	—	—	1	9	2	11	$74⅛
HEIN C	F.60	28	2.30	—	—	5	4.90 A	F.59
HEIN C	F.65	3	1.10	—	—	—	—	,,
HEIN P	F.55	10	1	—	—	—	—	,,
HEIN P	F.60	—	—	3	4.30	—	—	,,
HOOG C	F.15	11	3	—	—	—	—	F.17.70
HOOG C	F.17.50	—	—	—	—	10	2.40	,,
IBM C	$60	15	4¾	7	6¾	—	—	$63⅝
IBM C	$65	19	1¾	7	3⅝	—	—	,,
IBM C	$70	—	—	2	2¼	—	—	,,
IBM C	$75	5	¼	—	—	—	—	,,
IBM P	$60	1	1¼	3	2⅛	—	—	,,
IBM P	$65	1	3¾	—	—	—	—	,,
KLM C	F.70	80	10B	21	11	2	14A	F.78.80
KLM C	F.80	150	4.60	48	6.50	8	8	,,
KLM P	F.60	—	—	10	1	—	—	,,
KLM P	F.65	—	—	4	1.40	—	—	,,
KLM P	F.70	56	1.60	25	3	10	4	,,
KLM P	F.80	46	4.50	5	7	—	—	,,
NATN C	F.120	15	7.50A	—	—	—	—	F.125.40
NATN C	F.125	10	4	1	5.30	—	—	,,
PETR C	Fr.5500	—	—	1	70	—	—	Fr.4875
PHIL C	F.15	2	460A	70	4.60	—	—	F.19.30
PHIL C	F.17.50	65	2.30	159	2.60	25	3.10	,,
PHIL C	F.20	346	0.70	282	1.20	103	1.60	,,
PHIL P	F.17.50	—	—	145	0.60	5	0.80	,,
PHIL P	F.20	30	1.10	88	1.90	—	—	,,
OLIE C	F.190	17	17	2	21	—	—	F.204
OLIE C	F.200	105	10.80	3	15.50 B	41	16.60	,,
OLIE C	F.220	35	2.60	13	5.50	—	—	,,
OLIE C	F.240	14	0.40	—	—	—	—	,,
OLIE P	F.190	13	2.40	—	—	—	—	,,
OLIE P	F.200	26	4.50	—	—	—	—	,,
OLIE P	F.220	1	18	—	—	—	—	,,
ATT C	$55	5	⅛	—	—	—	—	$52⅛
UNIL C	F.130	5	5.50B	1	6 B	—	—	F.133
UNIL C	F.135	15	2.30	—	—	1	3.50	,,
UNIL P	F.125	—	—	10	2.80	—	—	,,
UNIL P	F.130	—	—	1	6	—	—	,,
		Feb.		May		Aug.		
BOEI C	$35	—	—	5	2⅝	—	—	$34⅛
BOEI C	$40	—	—	—	—	5	2⅛	,,
BASF C	DM.130	—	—	—	—	22	2	DM.121
MANN C	DM.130	—	—	2	2.10	—	—	DM124.80
SLUM C	$110	—	—	2	14	—	—	$108⅝

TOTAL VOLUME IN CONTRACTS 3367

A=Asked B=Bid C=Call P=Put

WORLD STOCK MARKETS

Wall Street steady at 1pm

STOCK PRICES were higher but losing ground in moderate trading by midsession as hopes dimmed of a continued slide in interest rates.

Federal Reserve Board Governor Mr. Lyle Gramley said he expects interest rates to continue high for some time, especially if Congress fails to enact President Reagan's planned Budget cuts.

Some of the Blue Chips that moved sharply higher on Monday were hit by profit-taking.

The Dow-Jones Industrial Average edged ahead by 0.61 to 945.84 at 1 pm. Advances led declines nearly two-to-one on volume of 20m shares. The NYSE All Common Index added 0.08 to $72.92.

American Telephone, which has been strong since raising its dividend last week, eased ¼ to $52. The Justice Department and ATT are unlikely to reach a final settlement of the U.S. anti-trust suit by a Federal Court deadline. Meanwhile, ATT's offering of $275m of 40-year debentures of New Jersey Bell was priced to yield 14.80 per cent, a record yield for a triple-A rated Bell issue.

GK Technologies climbed $4⅝ to $48⅞ and Penn Central rose $1⅞ to $39⅝. GK directors backed a $50 a share bid for GK's common by Penn Central.

Deere and Co. added ⅜ to $42¼, despite reporting a sharp drop in first-quarter profit.

Warner-Lambert slipped $⅞ to $21⅝. It reported sharply higher fourth-quarter net profits but said first-quarter results are likely to be substantially lower than last year.

Wallace Murray added $1⅞ to $48 and **Household Finance** $¼ to $16½. They signed a final agreement covering HFC's proposal to buy Murray for $50 a share in a tax-free merger.

THE AMERICAN SE Market Value index gained 2.07 to 334.06 at 1 p.m. on volume of 2.34m shares in moderate trading.

Volume leader **Houston Oil** added $⅞ to $48¼, ex-dividend, **Gulf Canada**, which declined to comment on Monday on a report that it is arranging for majority Canadian control, added $¼ to $21⅞.

Canada

The market rose moderately in busier noon trading, *led by* higher oils. The Toronto Composite Index was up 5.9 points at 2,174.1 and advances led declines 184 to 173. The Golds Index was 37.4 lower at 3,922.3.

Gulf Canada, the most active issue, gained ⅛ to C$26¼ on 112,070 shares, Hudson's Bay Oil ⅜ to C$23¼, Husky ½ to C$17⅞, *Dome Petroleum one to C$80⅞* and Murphy 1¼ to C$33.

Abitibi was up 1⅞ to C$28½ and Nu-West "A" ⅝ to C$13. **Thomson News "A"** fell ¼ to C$21. Thomson and Nu-West plan a C$31 a share bid for 8.5m Abitibi shares.

Tokyo

Share prices staged a modest rally after a continuous fall in the past four days, with Blue Chips and Large Capitals leading the recovery in light trading.

The Nikkei-Dow Jones Average gained 15.97 to 7,111.23 on volume of 270m shares. The Tokyo Stock Exchange Index ended at 503.52, up 0.48.

Sony rose Y120 to Y3,320 on foreign buying, encouraging other Blue Chips, while Large Capitals rallied, with **Nippon Steel and Kawasaki Steel** gaining Y3 each to Y147 and Y149 respectively. However, Speculatives continued to fall sharply.

Matsushita Elec. rose Y11 to Y855, **Nippon Elec.** Y15 to Y560, **Ajinomoto** Y10 to Y895, **Nissan** *Motor* Y3 to Y707, **Toppan Print** Y16 to Y430, **Tokyo Electric** power Y12 to Y952 and **Hitachi Shipbuilding** Y3 to Y188.

Drugs, Constructions and Nonferrous Metals were also higher, with **Yamanouchi Pharmaceutical** up Y43 to Y1,030, **Dowa Mining** Y19 to Y365 and **Kashima Construction** Y8 to Y288.

Oils fell in line with **Koa Oil**, which lost Y33 to Y780, while some front runners also eased on profit-taking with **Fuji Photo** down Y40 *to* Y1,080.

Hong Kong

Stocks closed higher in fairly active trading, with the Hang Seng Index up by 27.03 points to 1,519.24.

Mid-morning gains were sustained during the rest of the day, with lower U.S. interest rates encouraging investors. The rise was *also in part a technical* correction to the steep fall over the past two weeks.

Among leaders, **Jardine Matheson** rose 50 cents to HK$23.80, **Cheung Kong** HK$1 to HK$35, **HK Bank** 40 cents to *HK$21.90* and **Swire Pacific "A"** 40 cents to HK$15.40.

HK Electric rose 20 cents to HK$8.05 **HK Land** 20 cents to *HK$11.70* and **HK Wharf** 15 cents to HK$9.15. **Hutchison Whampoa** put on 20 cents to HK$17.40.

Elsewhere, **Sun Hung Kai Properties** *rose 50 cents to* HK$18.00, **Hopewell** 30 cents to HK$18.30 and **Hang Seng Bank** HK$2 to HK$170.00. However, **KMB** fell *30 cents to HK$14.80.*

Singapore

Prices rose across the board in active trading. Despite closing off best, stocks gained to send the Straits Times Industrial Index to its second straight record of 792.94 against 775.56 on Monday.

The strength was broad-based in all the stocks. Banks and Properties joined Blue Chip Industrials in rising smartly, while Plantations gains were more modest. Hotels were mixed.

Australia

Prices in Metals and Oils eased in dull trading as a bearish reaction set in following recent rises, while Industrials rose slightly on strong first-half *profits*.

The Australian All Ordinaries Index fell 5.2 to 651.7. The Oil and Gas Index eased 11.1 to $52.0 and the *Metals and* Minerals Index lost 7.5 to 575.0.

Most leading stocks closed off *their lows*, with **BHP** losing 15 cents to A$13.55, **CSR** 24 cents to A$6.16, **WMC** 5 cents to A$4.50, **MIM** 7 cents to A$3.98, **CRA** 5 cents to A$4.60 and **Bougainville** 5 cents to A$1.55.

In Golds, **GMK** was steady at A$6.70, **Peko** slipped 42 cents to A$7.38 after lower December half-year profits, while **Pancontinental** rose 20 cents to *A$10* and *Central Pacific* 10 cents to A$5.10.

Reuter

Germany

Share prices tended weaker after a mixed opening, as operators *moved to* square positions in a confused market.

Daimler, which made strong gains on Monday, reversed to DM 270.80 from DM 274, while other Autos pegged losses to DM 1 or less. Bayer led *Chemicals* DM 1.40 to DM 111.3 lower and in Banks Deutsche also lost DM 1.40 to DM 278.30.

The chaotic state of the money market, with overnight funds costing up to 16 per cent, and the foreign exchange market's fluctuations undermined confidence.

In the Industrial sector, **GHH** lost DM 2 to DM 184 while **Krauss Maffei** rose 90 to DM 1,600.

U.S. shares were firm, with Dupont, Rockwell and Warner Lambert to the forefront.

At the options table turnover rose, with prices slightly brighter.

On the Domestic Bond market prices were marked down by as much as a full point, with turnover slightly down on Monday. The Bundesbank bought DM 7.5m *of public* authority paper.

Johannesburg

Golds maintained their easier trend at the close, following the lower bullion price.

Heavyweight producer losses were mainly around 50 cents while lesser priced issues generally eased between 10 and 50 cents.

Closing prices for North America were not available for this edition.

NEW YORK

CANADA

Stock	Feb. 23	Feb. 20
Abitibi	26⅝	26⅝
Agnico Eagle	13¼	13⅝
Alcan Alumin	39	38½
Algoma Steel	41¼	41½
Asbestos	29¾	30¼

BELGIUM (continued)

Feb. 24	Price Frs.	+ or —
Petrofina	4,850	—60
Royale Belge	4,350	+70
Soc Gen Banq.	2,805	
Soc Gen Belge	1,310	
Sofina	3,770	—15
Solvay	2,340	+10

HOLLAND

Feb. 24	Price Fls.	+ or —
ACF Holding	79.5	+0.5
Ahold	71	+1
AKZO	17.8	—0.8
ABN	291	+1
AMEV	93.5	—0.4
AMRO	55.6	—0.9

AUSTRALIA

Feb. 24	Price Aust. $	+ or —
ANZ Group	4.5	
Acrow Aust	1.05	
Allstate Expl	1.23	—0.02
Ampol Pet	1.77	+0.02
Assoc. Pulp Pap.	2.32	
Aud'mco	0.19	—0.01

JAPAN (continued)

Feb. 24	Price Yen	+ or —
Kubota	355	
Kumgai	397	+6
Kyoto Ceramic	3,320	—30
Lion	471	+11
Maeda Cons.	573	+3
Makita	895	+4

Indices

SINGAPORE

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BRAZIL

NEW YORK ACTIVE STOCKS

COMMODITIES AND AGRICULTURE

Brazil to subsidise pork sales

By Kik Turner in Sao Paulo

THE Brazilian Government announced on February 24 that it will finance exports of pork as a means of facilitating the country's re-entry in to the international market after the swine fever of 1978.

The Banco do Brazil's foreign trade department (Cacex) will extend 30 per cent credits on the FOB value of the sale on the day of embarkation, and 30 per cent more every 6 months following.

At the same time, the government announced the prohibition of meat imports, even those carried out by canners under a special scheme, which allows imports of raw materials specifically for re-export.

The move follows complaints by national meat producers that the imported product was entering the domestic market in unfair conditions of competition.

German proposal for whaling ban

NEW DELHI—West German Government delegates to a world widelife conference opening here today have put a proposal before the meeting to end commercial use of sperm, sei and fin whales.

Herr Gerhart Enonds, leader of the delegation, said that although West Germany was until recently one of the world's largest traders in whale products it has now virtually abandoned such imports and wants the whaling of these threatened species banned.

The West German proposal is one of 90 before the ten-day conference of member governments to the 1973 Convention on Trade in Endangered Species (CITES) which seek either to ban or strictly control trade in various threatened species.

If the proposal to place sperm, sei and fin whales on the CITES banned list is accepted, it is bound to put pressure on the International Whaling Commission (IWC) to stop allowing quotas in hunting the three species.

The U.S. has tabled a counter-proposal to keep CITES in line with IWC rules allowing member countries to take a quota in areas where populations are not so severely depleted. But conservationists oppose the U.S. stand claiming it would be impossible to distinguish products from endangered and other populations.

Reuter

France yields on New Zealand butter deal

BY JOHN WYLES IN BRUSSELS

IN A characteristically sharp reversal of policy, France yesterday *dropped its hitherto* resolute opposition and cleared the way for a new three-year deal for New Zealand butter imports into the EEC.

The settlement came as part of a package agreement by Community Farm Ministers which is, however, subject to final Italian endorsement which is to be given not later than March 10. If this is refused, then the package would then have to be renegotiated.

Provisionally agreed last night by nine of the 10 farm ministers it also embraces new quotas and levies for the EEC sugar producers, an increase in frozen beef imports from Australia from 50,000 to 60,000 tonnes a year and farming development aids for Northern Ireland and the Western Isles.

The basic explanation for the French turnround appears to be a desire to clear these subsidiary but naggingly divisive issues out of the way before EEC Farm Ministers get down to hard bargaining over price increases in the middle of next month.

On the surface, this could help the French Government secure a price package before the first round of the presidential elections at the end of April.

Announcing the agreements here last night, Mr. Peter Walker, Britain's Agriculture Minister said that Mr. Brian Tallboys, the Farm Minister of New Zealand, who is also in Brussels, had signalled his acceptance of the new arrangements for butter.

These will allow the UK to import on preferential terms 94,000 tonnes of New Zealand butter this year and 92,000 tonnes next year. These quantities compare with the 95,000 tonnes exported to the UK last year under the final 12 months of a previous agreement. New Zealand's exports in 1983 will be fixed not later than October of next year and, unusually, *on* a majority vote of the Council of Ministers. This should deny France and Ireland blocking powers.

Over the last four months, France and Ireland had been insisting on only a one-year deal for New Zealand with a ceiling of 40,000 tonnes.

On sugar, Mr. Walker said he was satisfied to have obtained virtually the quota for UK producers which he had been aiming for—1.146m tonnes of which 1.040m belongs to the "A" quota which is free of any levies. But *he did concede a 2 per cent* levy on "A" quota sugar making British producers liable to a tax on all production for the first time.

The levies to be applied to "B" quota sugar if needed to dispose of surpluses have been fixed at 30 per cent with the possibility of an extra 7½ per cent if required.

The development package to be supported by EEC money includes a £36m five-year programme for beef and sheep producers on Northern Ireland smallholdings. EEC financing will amount to 40 per cent. A further £4m (50 per cent from the EEC) will be available for Northern Irish poultry and eggs marketing aids while an additional £20m (40 per cent from the EEC) over five years has been agreed for the development of farming in the Western Isles.

The settlement on Australian frozen beef imports sets the official seal on an agreement negotiated last year by the late Agriculture Commissioner, Mr. Finn Olav Gundelach, and should resolve a highly contentious issue for EEC-Australia relations.

Sales ban lifts sugar price

BY RICHARD MOONEY

NEWS THAT India had halted suger exports because of domestic supply difficulties lifted values on the world market yesterday. In the morning the London daily raws price was marked up £10 to £264 a tonne and the May delivery position on the London futures market climbed to £273 a tonne before slipping back to close the day £6.275 higher at £268.025 a tonne.

London dealers said the rise was also influenced by the continued fall of sterling and higher price levels on the Paris market.

Indian Government officials said the export ban, effective from February 21, would stay in force until the domestic supply situation improved.

Local traders said it would automatically cancel the country's commitment to repay 180,000 tonnes of sugar imported through a London broker last year to eke out domestic supplies. This sugar was supplied under special trade arrangements on the understanding that it would be returned when India's supply position improved, but recent attempts by the Government to secure covering supplies have been hindered by unexpectedly high asking prices from local manufacturers.

In Santo Domingo, meanwhile, the Dominican Republic's State Sugar Council said it had sold more than 100,000 tonnes of sugar this month taking total 1980/81 sales to 320,000 tonnes. Output for the 1980/81 crop year is estimated at 1.16m tonnes, up from about 1m tonnes in 1979/80. Domestic consumption this season is put at 210,000 tonnes.

In Lima, the Peruvian Central Sugar Co-operative Association said *the ending of the country's* three-year drought was expected to result in a 19 per cent rise in sugar production above the original 1981 estimate of 482,000 tonnes.

If recent rains continue the 25,000 hectares of sugarcane lost because of the drought could be replanted within a year, the association said.

● Work has resumed fully in two Ivory Coast sugar complexes which were hit last week by strikes, Sodesucre, the state sugar corporation said yesterday, reports Reuter from Abidjan.

Two of the country's six complexes, Katiola and Ferkessedougou II, went on strike last Thursday and Friday because of government plans to cut wages in the state sector by an average of 60 per cent.

The government abandoned its plans for across-the-board pay cuts last Saturday.

India's grain stocks tumble

By K. K. Sharma in New Dehli

FOODGRAIN stocks in India *slumped to the ominously low* level of 11.85m tonnes at the end of 1980, the government admitted in its pre-budget economic survey, presented to parliament yesterday.

The news comes as a considerable surprise, since India has steadily built up its foodgrain stocks over the past five years, reaching a peak of 21.4m tonnes in July 1979. Stocks were depleted by a poor monsoon in that year, but it was widely thought this loss had been countered after a bountiful monsoon in 1980.

The slump in stocks undermines hopes that India would become an exporter of foodgrains this year—important at a time when the balance of payments is deteriorating rapidly.

The government attributes the slump to a heavier than expected demand for grain through the public distribution system, and repayment of a Soviet wheat loan dating back to 1972. But this would seem to be only part of the problem, and observers were yesterday looking for other causes—perhaps unexpected deterioration of stocks.

A good monsoon in 1980 has prompted government predictions that production this year will be a record 132m tonnes—19 per cent up on 1979. Over the past five years, stocks have never fallen below 14m tonnes. It now seems likely that stocks will fall below the "minimum buffer" level of 10m tonnes before replenishment after the winter crop—thought to be a bumper one—begins in April.

Milk carton sales record

SALES in milk in cartons reached a record 1,470m pints last year and accounted for 11.7 per cent of all milk sold, the Milk Packaging Manufacturers' Association said yesterday.

Milk sold in cartons has doubled in the past five years in spite of an overall decline in milk sales, but does not pose a threat to bottled doorstep deliveries, said Mr. Richard Mosse, for the Association.

INDONESIA

Export earnings squeezed

BY RICHARD COWPER IN JAKARTA

GOVERNMENT export restrictions coupled with poor prices in the second half of the year caused Indonesia's commodity *export earnings to decline* by over 15 per cent in real terms in 1980. Export volume fared little better being either down or virtually unchanged for all main commodities except for non-oil minerals. Though in nominal terms foreign exchange receipts — when finally added up — are likely to remain unchanged at about $5bn, it was clearly a disappointing year for Indonesia, the world's second largest producer of rubber, palm oil and tropical hardwoods.

INDONESIA'S COMMODITY EXPORTS

U.S.$ million)

	1979	1980*	change %
Timber	1,780	1,580	−11
Rubber	980	971	− 1
Coffee	660	638	− 3
Non-oil minerals	530	738	+39
Palm Oil	250†	194	−22†
Others	794	789	− 1
Total	4,994	4,910	− 2

* Provisional figures.
† Other sources put 1979 palm oil exports at only 203m. This would give a fall last year of 4 per cent.
Source: Bank of Indonesia

According to figures released by the Bank of Indonesia earnings actually fell last year by more than $80m, but this should just be made up by as yet unrecorded earnings in some sectors. However, these are unlikely to make any substantial change to the overall year-end figures, and it now seems clear that falling prices and reduced export volume, most notably in timber, completely wiped out a 20 per cent overall increase in commodity earnings in the first-half.

According to the Bank of Indonesia, exports of timber—Indonesia's top commodity export—fell nearly 30 per cent in volume last year to 10.9m tonnes. This was offset by high prices in the first half, but this did not stop a drop in foreign exchange earnings of just over 11 per cent to $1.6bn for the year.

A government regulation aimed at increasing domestic *timber* processing in May reduced export volume by over 50 per cent in the second half. This means that Indonesia, which in 1979 was by far the world's largest exporter of *tropical* hardwoods, probably dropped into second place behind Malaysia last year.

Continuing Government intervention also appeared to force a drop in palm oil exports last year. According to the Bank of Indonesia the Government's policy of substituting palm oil for coconut oil in cooking saw export volume drop from 438,000 tonnes in 1979 to 388,000 tonnes last year.

Though there is broad agreement on the bank's 1980 figures, its 1979 export figure was substantially above that reported by the Indonesian Central Bureau of Statistics. What is certain however, is that exports remain below the 1976-77 level of above 400,000 tonnes in spite of production increases of between 7 to 10 per cent a year. According to the Bank of Indonesia, palm oil exports earnings dropped 24 per cent last year to $194m, a drop which in part at least was a result of falling prices in the *second half.*

Export volume of rubber, Indonesia's second largest commodity export, fell just under 1 per cent to $971m. Though Indonesia is the world's top exporter of rubber after Malaysia, the largest proportion of its production is owned by smallholders, many of whose holdings are of ageing trees. As a result production gains have been extremely poor over the last decade.

Coffee also had a disappointing year. Faced with declining world prices, a glut in domestic production and the recent international export quota system, Indonesia ended up with a surplus of over 50,000 tonnes last year, ranking third in importance *behind timber and rubber.* Indonesia's coffee exports remained unchanged in volume last year at 231,000 tonnes, but dropped 3 per cent in value to $638m, according to the Bank of Indonesia. Indonesia is the world's fourth largest coffee exporter.

The only bright spot during the year was mineral exports, which increased in value by just over $200m to $738m. Exports of tin, Indonesia's leading non-oil mineral, jumped 23 per cent in value to $461m with export volume growing 8 per cent to nearly 28,000 tonnes. Both copper and nickel made sizeable gains, though lack of foreign investment in the country's hard mining sector means the industry is likely to grow only slowly over the next few years.

Alcan expansion plans

BY ROY HODSON

ALCAN of Canada, one of the most expansion-minded of the leading aluminium producers, is nearing an annual investment level of $1bn.

Mr. David Culver, president, intends to spend $950m this year on new plants, and upon research and development, compared with $752m last year.

More than one-third of the new investment will be on the expansion of aluminium smelting in Canada where the group has *rights to enough* hydro-electric power potential to run at least four new smelters. There will also be sizeable new investments in Australia, Brazil, and in Europe. Alcan is completing an alumina plant and a smelter in Spain, and is expanding fabrication facilities in Britani, West Germany, and Spain.

While London copper prices continued to be linked yesterday to sharp movements in the sterling/dollar rate, the big U.S. producer Kennecott Corporation said it was laying off employees at two plants because of high production costs.

The company is to lay off 400 of its 9,000 workers at the Utah and Ray copper operations. However the company claims that production levels will not be affected by the cuts.

Cocoa surplus estimate

GILL AND DUFFUS, the influential London cocoa merchant has raised its estimate of the 1980-81 crop surplus.

In its latest market report it puts the net world crop at 1,622,000 tonnes, up from the 1,568,000 tonnes estimated in the December report, and seasonal grindings at 1,522,000 tonnes, up from 1,476,000 tonnes. This indicates a surplus of 100,000 tonnes compared with 92,000 tonnes in December.

Gill and Duffus notes that prices have responded accordingly reaching the lowest levels for nearly five years.

BRITISH COMMODITY MARKETS

BASE METALS

COPPER—Moved ahead on the London Metal Exchange in good two-way trading. After opening firmer at £825, forward metal moved steadily up during the day as sterling weakened to close the late Kerb at £832, moving to a high of £835 after hours. Turnover: 19,700 tonnes.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Wirebars				
Cash	803-.5	+6	806-7.5	+7.5
3 months	825-.5	+6.5	829-.5	+8
Settlem't	803.5	+6	—	
Cathodes				
Cash	799-800	+6	802.5-3	+7.75
3 months	810-811	+5.75	816-7	+8.75
Settlem't	800	+6	—	......
U.S. Prod	—		*82-8	......

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £803, 3.5; three months £824, 24.5, 25, 26, 25.5, 25. Cathodes: Cash £800; three months £812. Kerb: Wirebars: Three months £826.5, 27. Afternoon: Wirebars: Three months £830, 29.5, 29, 29.5, 30, 29, 30, 31, 30.5, 30, 29.5, 30, 29.5. Cathodes: Cash £803; three months £816. Kerb: Wirebars: Three months £830, 29.5, 30, 31, 31.5, 32.

TIN—Gained ground in fairly active trading, on the back of weaker sterling. Forward metal opened at £6,145 and reached a high for the day of £6,185, before profit-taking left the close on the late Kerb at £6,170. Turnover: 1,080 tonnes.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	6005-10	+78.5	6020-30	+82.5
3 months	6150-5	+75	6170-9	+82
Settlem't	6010	+88	—	......
Standard				
Cash	6005-10	+78.5	6020-30	+82.5
3 months	6150-5	+75	6170-9	+82
Settlem't	6010	+80	—	......
Straits E.	$531.25	+.25	—	......
New York	—	......	—	

Morning: Standard: Cash £6,000, 6,005; three months £6,150, 45, 40, 45. Kerb: Standard: Three months £6,160, 70. Afternoon: Standard: Three months £6,180, 85, 80, 75, 70, 85, 75, 60, 70, 80. Kerb: Standard: Three months £6,175, 80, 70.

LEAD—Continued to make steady progress in active trading. From the opening of £324, three-months material reached a high of £333 before closing just below the best at £329. Turnover: 12,350 tonnes.

Morning: Cash £319.5; three months £327, 27.5, 28, 29, 29.5, 30. Kerb: Three months £330, 31, 32. Afternoon: Three months £333, 32, 33, 32.5, 32, 31, 30, 29, 28, 29, 28.5, 28.75. Kerb: Three months £329, 29.5, 29.

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	319-20	+6.25	318.5-9.5	+7.25
3 months	329.5-30.5	+7.75	328.5-7.75	+6⅛
S ment	320	+6.5	—	......
U.S. Spot	—	......	*30	......

ZINC—Edged upwards in quiet trading. After opening at £339, forward metal touched £344 before closing the late Kerb at £342. Turnover: 16,550 tonnes.

ZINC	a.m. Official	+ or —	p.m. Unoffic'l	+ or —
	£	£	£	£
Cash	331-2	+5.5	330.5-1	+5.25
3 months	342-.25	+4.87	341.5-2	+5
S'ment	332	+5.5	—	......
Primw'ts	—	......	*41.5	......

Morning: Three months £341, 41.5, 42, 42.5, 43, 42.5. Kerb: Three months £342. Afternoon: Three months £345, 44, 44.5, 44, 43, 42, 41.5. Kerb: Three months £342, 42.5.

ALUMINIUM—Virtually unchanged in active trading conditions. Forward metal opened at £675, slipped to a low of £666 on speculative selling before rallying towards the close to £676. Turnover: 10,425 tonnes.

Alumin'm	a.m. Official	+ or —	p.m. Unoffic'l	+ or —
	£	£	£	£
Spot	668-9.5	+7.25	668-70	+2.5
3 months	671-2	+7	673-4	+2

Morning: Three months £666, 67, 68, 72, 73, 72. Kerb: Three months £672, 73. Afternoon: Three months £674, 75, 77, 76, 75, 74, 75, 73. Kerb: Three months £674, 75, 76.

NICKEL—Gained some ground in line with the other metals. After opening at £2,825, forward material reached a high of £2,845 before reacting to close at £2,830. Turnover: 822 tonnes.

NICKEL	a.m. Official	+ or —	p.m. Unoffic'l	+ or —
Spot	2865-70	+47.5	2857-67	+117
3 months	2840-5	+66	2832-7	+14.5

Morning: Cash £2,880; late-February £2,860, 65, 75; three months £2,840. Kerb: Three months £2,840, 45. Afternoon: Three months £2,845, 40, 35. Kerb: Three months £2,830, 35.

* Cents per pound. ‡ M$ per kilo. † On previous unofficial close.

SILVER

[illegible]

COTTON

[illegible]

COCOA

The continued weakness of sterling combined with trade and commission house short covering caused futures to remain steady to close with further gains of £10-£16 ... [illegible]

ness reflected further producer sales, although in modest quantities which were well absorbed, while consumers showed no inclination to follow the recent rally, reports Gill and Duffus.

COCOA	Yes'rday's Close	+ or —	Business Done
March	878-880	+12.5	880-868
May	917-918	+12.0	922-910
July	940-941	+12.0	944-933
Sept.	962-963	+13.0	964-955
Dec.	993-994	+13.0	995-985
March	1017-19	+15.0	1020-08
May	1036-38	+15.0	1040-30

Sales: 8,081 (2,889) lots of 10 tonnes.

ICCO Futures—Daily price for Feb. 23 93.75 (94.18): five-day average 93.05 (92.48).

COFFEE

COFFEE	Yesterday's Close £ per tonne	+ or —	Business Done
March	1035-37	+6.5	1039-30
May	1050-51	+10.0	1051-40
July	1064-66	+12.0	1067-54
Sept	1075-78	+10.0	1078-66
Nov	1080-85	+13.5	1088-80
Jan	1085-1110	+12.5	1095-94
March	1080-1130	+11.0	1111-10

ICO Indicator prices for February 23 (U.S. cents per pound): Other Mild Arabicas 126.00 (125.67): Robustas ICA 1976 115.50 (115.00): ICA 1968 115.75 (115.25). Unwashed Arabicas unquoted. Comp. daily ICA 1968 unquoted.

GRAINS

LONDON GRAIN FUTURES—Old crop wheat 15p lower. Values eased steadily throughout the session on steady selling pressure from country and commercial sources to close 50-55p lower on distants. Barley old crops opened 15p up. Trade was fairly quiet and values eased on May to close 15p lower with March holding steady at unchanged. New crops saw continued hedge selling pressure with wheat values registering losses of 40p-50p on the day and barley closing 15p-30p lower, reports Acli.

Mnth	WHEAT Yesterd-ys close	+ or —	BARLEY Yesterday close	+ or —
Mar..	107.40	—0.80	95.45	....
May...	111.05	—0.50	98.70	—0.15
July..	114.75	—0.56	—	—
Sep...	98.30	—0.50	93.55	—0.15
Nov...	101.85	—0.55	97.05	—0.30
Jan...	105.75	—0.50	100.95	—0.25

Business done—Wheat: March 107.90-107.40, May 111.35-111.00, July 115.00-114.75, Sept. 98.60-98.50, Nov. 101.95-101.85, Jan. 105.75-105.70. Sales: 199 ... [illegible]

WOOL FUTURES

[illegible]

507.0, 507.0-503.0, 54; May 509.0, 510.0, 513.0-509.0, 50; July 513.0, 515.0, 517.0-515.0, 9. Sales: 1,254.

RUBBER

The London physical market opened slightly easier, but steadied throughout the day, closing on an uncertain note. Lewis and Peat reported an fob March price for No. 1 RSS in Kuala Lumpur of 295.5 (295.5) cents a kg and SMR 20 at 261 (263).

[illegible]

SOYABEAN MEAL

The London Market opened around unchanged levels, reports T. G. Roddick. Light trade buying coupled with weaker sterling caused prices to firm and close on the highs.

[illegible]

SUGAR

LONDON DAILY PRICE (raw sugar) £264.00 (£254.00) tonnes cif for Feb.-March-April shipments. White sugar daily price was £287.00 (£280.00).

The market opened some £5 above Kerb levels but keen selling was apparent and prices eased some £5. However, news that India had banned exports of sugar sparked off a brisk rally of some £8. Once again though there was no follow-through on the upside and prices eased so that half the gains had been lost by the close, reports C. Czarnikow.

[illegible]

POTATOES

[illegible]

MEAT/VEGETABLES

[illegible]

PRICE CHANGES

	Feb. 24 1981	+ or —	Month ago
Metals			
Aluminium	£810/815	....	£810/815
Free Mkt	$1500/1520	.. .. ..	$1400/450
Copper			
Cash w'bar	£807.0	+7.5	£761.5
3 mths	£829.25	+8	£783.75
Cash Cathode	£802.75	+7.75	£752
3 mths	£816.5	+8.75	£771.25
Gold troy oz	$501.5	—1	$517.5
Lead Cash	£319.00	+7.25	£280.5
3 mths	£328.125	+6.875	£292.25
Nickel	£3,156	....	£3,226.57
Freemkt	290/310c	+5	270/290c
Platin'mtr'y oz	£202	....	£202
Freemkt	£216.20	+0.80	£194.40
Quicksilver†	$395/405	....	$370/380
Silver troy oz	580.15p	+6.95	559.10p
3 mths	597.35p	+6.55	578.40p
Tin Cash	£6,025	+82.5	£5,765
3 mths	£6,174.5	+82	£5,912.5
Tungsten22.04lb	$144.21	....	$143.90
Wolfrm 22,04 lbs	$150/154	....	$148/151
Zinc Cash	£330.75	+5.25	£310.5
3 mths	£341.75	+5	£322.25
Producers	$825	....	$825
Oils			
Coconut (Phil)	$595x	....	$605
Groundnut	‡	....	‡
Linseed Crude	£404	....	£412
Palm Malayan	$530y	....	$610
Seeds			
Copra Philip	$410	—5	$405
Soyabean(U.S.)	$312w	—4	$303
Grains			
Barley Futures	£98.70	—0.15	£102.30
Maize			
French	‡	....	£121
Wheat			
No 1 Red Spg.	‡		‡
No2 HardWint	£107.75w	+2.25	£102.75
Eng. Milling†	‡	....	‡
Other commodities			
Cocoa ship't	£1,003	+12	£921
Future May	£917.5	+12	£860.5
CoffeeF t'May	£1050.5	+10	£991
Cotton A.Index	96.20r	....	98.50r
Rubber (kilo)	57.50p	+0.50	55.5p
Sugar (Raw)	£264	+10	£275
Woolt'ps 64s kl.	314p kilo	....	304p kilo

† Unquoted. w March. x March-April. v Feb.-March. y April. z Indicator. § Buyer. ‡ Per 75 lb flask. * Nominal.

Lemon soles, large £12.00; medium, £10.50. Saithe £1.80-£2.00.

★

HIDES—Birmingham: Market firmer. Second clears. Ox 31-35.5 kilos, 43.5p a kilo (40p a kilo); 26-30.5 kilos, 47p ... [illegible]

AMERICAN MARKETS

NEW YORK, February 24.

A MODEST short covering move in precious metals was based on the strength of the other currencies leaving the market with minor gains. Copper attracted support because of strikes in Peru. Cocoa saw further gains on technical buying and lack of producer selling, coffee finished mixed in a narrow trading range. Sugar drifted lower following the Indian announcement that no exports would be permitted. Cotton sold off sharply in response to lower consumption reports. Cattle and hogs turned higher as the entire livestock complex is attempting to establish a seasonal low. Grains and soyabeans rallied early with soyabeans and maize finishing mixed and wheat lower on moisture forecasts, reported Heinold.

Copper—Feb. 82.25 (81.35), March 82.30-82.35 (81.55), April 83.85, May 84.80-85.10, July 87.30-87.60, Sept. 89.90, Dec. 82.65, Jan. 83.40, March 95.35, May 97.05, July 98.75, Sept. 100.45, Dec. 103.00.

Potatoes (round whites)—March 122.5 (124.9), April 147.0-148.0 (151.1), Nov. 88.4.

Sugar—No. 11: March 24.75-24.80 (24.79), May 24.85-24.95 (25.14), July 24.90-25.00, Sept. 24.35-24.40, Oct. 24.00-24.10, Jan. 2.16, March 22.85-22.95, May 22.65-22.85, July 23.25. *Sales:* 10,921.

Tin—628.0-635.0 (628.0-631.0).

CHICAGO, February 24.

Lard—Chicago loose 19.50 (same)

Live Cattle—Feb. — (—), April 66.22-6.30 (65.97), June 68.82-68.90, Aug. 69.50-69.55, Oct. 68.05, Dec. 69.30-69.20, Feb. 70.05.

Live Hogs—April 46.40-46.30 (46.15), June 52.60-52.70 (52.52), July 54.45-54.50, Aug. 53.20-53.15, Oct. 52.10, Dec. 5.10, Feb. 56.25, April 55.15.

‡‡Maize—March 359¾-359¼ (359¼), May 371¼-371¾ (371), July 371¾-371¼ (371), July 379-379¾, Sept. 375-376, Dec. 374-375, March 384½.

Pork Bellies—March 56.00-55.92 (56.77), May 57.80-57.65 (58.70), July 59.40-59.45, Aug. 58.55-58.50, Feb. 67.55, March 67.30, May —.

Silver—Feb. 1305.0 (1305.0), March 1295.0 (1305.0), April 1310.5, June 1345.0, Aug. 1380.0, Oct. 1415.0, Dec. 1450.0, Feb. 1485.0, April 1520.0, June 1555.0, Aug. —, Oct. 1625.0, April 1730.0, June 1765.0, Aug. —.

†Soyabeans—March 753½-754 (753), May 780-781 (779¾), July 804½-805, Aug. 811½, Sept. 819, Nov. 832-830½, Jan. 849, March 870½.

‖Soyabean Meal—March 214.8-214.3 (215.7), May 224.0-223.5 (224.6), July 230.7-231.5, Aug. 234.0 ... 237.0, Oct. 238.0, Dec. 242.0-24 ... 243.0-243.2, March —, May —

Soyabean Oil—March ...-24.05 (24.11), May 24.90-24.87 (25.00), July 25.72-25.70, Aug. 26.00, Sept. 26.20, Oct. 26.45, Dec. 27.05, Jan 27.05-27.10, March 27.60-27.65, May 27.95-28.00.

†Wheat—March 457¾-458 (461¾), May 471½-472 (476½), July 473-472, Sept. 487-488, Dec. 509-509½, March 526

WINNIPEG, February 24. §Barley—March 150.40 (151.20), May 152.80 (153.50), July 152.20, Oct. 152.60, Dec. 152.20.

Monday's closing prices

NEW YORK, February 23.

††Cocoa—March 1,893 (1,882), May 1,968 (1,970), July 2,030, Sept. 2,087, Dec. 2,165, March 2,235, May 2,295, July —. Sales: 889.

Coffee—"C" Contract. March 121.50-122.00 (122.00), May 126.40-126.74 (126.29), July 129.50-129.70, Sept. 131.50-131.75, Dec. 131.50-131.90, March 129.50-129.60, May 131.50-132.00, July 131.00-140.00. Sales: 1,681.

Cotton—No. 2. March 90.96-91.00 (91.96), May 92.30-92.40 (93.59), July 91.75-91.80, Oct. 86.60-87.00, Dec 83.15-83.25, March 84.00-84.25, May 84.25-85.00, July 84.75-85.00. Sales: 12,000.

*Gold—Feb. 498.1 (506.6), March 499.7 (58.5), April 504.0-506.0, June 517.0-519.0, Aug. 530.0, Oct. 546.0, Dec. 558.5, Feb. 571.9, April 585.3, June 598.7, Aug. 612.2, Oct. 625.7, Dec. 639.3. Sales 32,000.

Orange Juice—March 141.50-141.70 (142.45), May 146.75-147.00 (147.80), July 150.50, Sept. 152.70, Nov. 150.00-150.50, Jan. 146.80-147.25, March ... [illegible]

475.0 (489.0), April 480.0-481.0, July 500.0-501.5, Oct. 520.0, Jan. 541.5, April 561.8. Sales 1,182

¶Silver—Feb. 1286.0 (1312.5), March 1288.0-1290.0 (1315.0), April 1307.0, May 1325.0-1320.0, July 1364.0, Sept. 1401.0, Dec. 1456.0, Jan. 1474.0, March 1510.0, May 1346.0, July 1582.0, Sept. 1618.0, Dec. 1672.0. Sales 3,500. Handy and Harman bullion spot 1288.0

CHICAGO, February 23.

Chicago Imm Gold—March 499.0-498.5 (506.8), April 505.4 (513.6), June 519.0-517.5, July 525.3, Sept 539.5, Oct. 545.3, Dec. 558.7, Jan. 565.4, March 578.9.

Silver—Feb. 1305.0 (1315.0), March 1305.0 (1321.0), April 1317.0, June 1352.0, Aug. 1387.0, Oct. 1422.0, Dec —, Feb. —, April 1527.0, June 1562.0, Aug. —, Oct. 1632.0, April —, June —, Aug. —.

‡Soyabeans—March 754-753 (762½), May 780-778½ (790½), July 805-804, Aug. 813, Sept. 821, Nov. 834, Jan. 853, March 875.

WINNIPEG, February 23.

[illegible]

EUROPEAN MARKETS

[illegible]

INDICES

FINANCIAL TIMES

Feb. 23	Feb. 20	Month ago	Year ago
258.33	257.42	250.53	297.34

(Base: July 1, 1952=100)

MOODY'S

Feb. 23	Feb. 20	Month ago	Year ago
1157.5	1154.1	1172.7	1380.4

(December 31, 1931=100)

DOW JONES

Dow Jones	Feb. 23	Feb. 20	Month ago	Year ago
Spot	429.89	430.14	423.35	423.44
Fut's	443.76	443.22	442.31	454.05

(Average 1924-25-26=100)

REUTERS

Feb. 24	Feb. 23	M'nth ago	Year ago
1759.8	1722.6	1684.3	1772.6

(Base: September 18, 1931=100)

CORAL INDEX: Close 492-497 (+7)

Oil Index
Refined April '81 $42.75

Oil Futures
Refined May '81 $42.80
Crude April '83 $42.60

CONTRACTS AND TENDERS

Gilts advance afresh and medium tap stock exhausted
Equity leader's follow—Share index up 7.9 at 494.5

Account Dealing Dates

Option *First Dealings	Declara-tions	Last Dealings	Account Day
Feb. 9	Feb. 26	Feb. 27	Mar. 9
Mar. 2	Mar. 12	Mar. 13	Mar. 23
Mar. 16	Mar. 26	Mar. 27	Apr. 6

* "New time" dealings may take place from 9 am two business days earlier.

Exhaustion of official supplies of the medium tap stock ensured Government securities yesterday of the major role again in London stock markets. The renewed strength of Gilt-edged quickly found reflection in the equity sectors where values improved rapidly, often in thin trading.

Encouraged still by hopes that the *expected Budget reduction in* Minimum Lending Rate may be larger *than the recently* anticipated 2 per cent, Gilts encountered *further* big demand. This surprisingly exhausted the Government broker's remaining supplies of the tap, **Treasury 12** per cent 1986; the £1bn stock, issued less than a fortnight ago, moved up to 20¾ before closing at 20$\frac{11}{16}$, up $\frac{3}{16}$.

Despite faltering at one stage, *other medium-dated stocks* closed only marginally below the best *with gains* ranging to ⅜, while fresh rises in the shorts extended to ¼. Longer maturities made progress in sympathy with the rest of the sector, but rises here were of a modest nature. News that the Bank of England is temporarily reducing the banking system's reserve asset ratio to 8 per cent *from 10 per cent of* eligible liabilities in order to *avoid short-term pressure* on the money markets associated with the payment of petroleum revenue tax was an additional help to sentiment.

Prompted by the fresh advance in British Funds, the industrial *leaders shrugged off early* nervousness caused by worries about *the UK* labour scene and uncertainty ahead of tomorrow's preliminary figures from **ICI.** Buyers soon found the market none too well supplied with stock and quotations responded quickly, some with double-figure gains. After recording a modest loss of 0.4 at the first calculation *of the day, the FT 30-share index* moved strongly ahead to close a net 7.9 up at 494.5. Against the trend, **Beecham** came on offer following the company's confirmation that approval for a wider application of its new drug Augmentin has not been granted.

Elsewhere, the morning *announcement of the Royal* Wedding directed buyers interest towards possible beneficiaries and resulted in a fairly numerous list of bright features. Hotel issues were particularly good among the sectors.

Business in Traded options increased substantially, a total of 1,448 deals being arranged compared with Monday's 531 and last week's daily average of 834. **Commercial Union** attracted 253 trades following the annual results, with 149 being dealt in the April 160's. Other issues to the fore included **ICI** with 328 (the April 280's accounting for 162), **Lonrho**, 164, and **Grand Metropolitan**, 137.

British Aerospace remained one of the main focal points in equity markets and traded up to 178p before closing a net 3 dearer at 177p, a premium of 27p on the issue price of 150p.

NatWest dip and rally

NatWest were marked down to 350p on the disappointing 7 per cent contraction in annual profits but rallied well in active trading to close *only* 4 down on balance at 360p. Other *major clearers* drifted lower in sympathy with **Barclays**, *the next to report preliminary figures on March 5, closing 8 down at 388p, after* 384p. **Lloyds**, which announced *satisfactory full-year results* last Friday, eased to 318p before finishing a net 6 off at 322p, while **Midland** shed 7 at 330p. Elsewhere, **Grindlays** rose 10 more to 172p on continuing speculation about a possible bid from Lloyds; the results are due next Tuesday. Discount Houses continued to reflect the current strength of gilts. **Alexanders** put on 5 at *270p* as did **Union** at *525p.* **Hambros** rose 10 afresh to 670p *among Merchant banks where* **Wintrust** revived with a gain of 4 to 89p.

Vantona please

With the 10 per cent dividend increase outweighing news of the preliminary profits setback, **Commercial Union** closed a few pence better at 156p, after 157p. **Royals** ended a couple of pence higher *at 375p, after 377p, and* **Sun Alliance** added 6 at 780p, *after 784p. Firm Life issues* were featured by **Hambro**, up 8 *at 340p, following a* broker's recommendation.

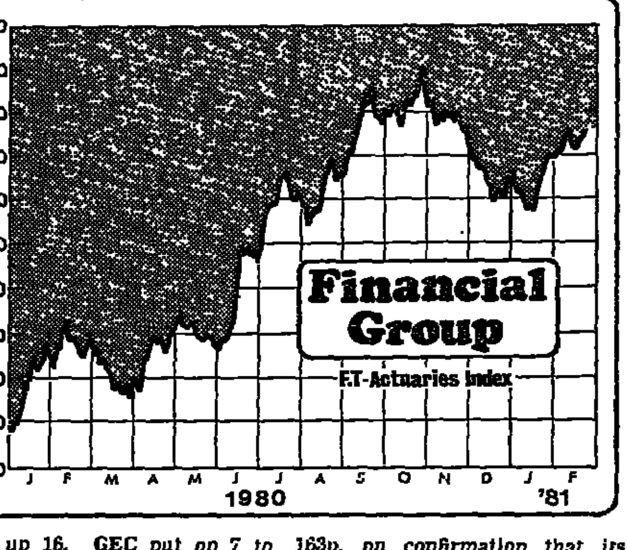
A bearish view of the sector's prospects from the Brewers' Society had no apparent effect *on sentiment* and most stocks closed with useful gains. **Bass**, 210p, and **Whitbread**, 154p, added 4 apiece, while **Arthur** *Guinness hardened 2 to 76p.* Wines and Spirits also took on a firmer appearance and **Distillers** rose 5 to 190p.

Buildings remained firm, but the gains were usually modest. **BPB**, 241p, and **Tarmac**, 304p, *both gained 3*, while **Costain** firmed 4 to 210p.

Weak Monday on doubts about whether or not the company will maintain its final dividend payment, due to be announced tomorrow, ICI opened a couple of pence easier at 282p, but picked up on small buying to *close 4 dearer on balance* at 288p.

Leading Stores closed with good gains, although the movement was mainly attributable to technical influences. **Mothercare** ended 8 better at 228p, as did **GUS "A"** at 482p, while gains of 4 were noted in **Marks and Spencer**, 125p, and **Burton**, 117p. A pleasing second-half performance prompted good support of **Vantona** which spurted 10 to 108p, while interest was also shown in **Dixons Photographic**, 3 dearer at 146p. Among the more speculative counters, **Allebone** jumped 5 for a two-day gain of 10 to 38p, after 40p.

Electrical leaders were well to the fore in the general market upturn. **Thorn EMI** were outstanding as good investment buying which continued well into the late dealings left a close of



320p, up 16. **GEC** *put on 7 to* 647p, while **Plessey** hardened a *couple of pence to 306p ahead of* tomorrow's half-year results. **BICC** gained 5 at 203p and **Racal** improved the turn at 357p. Elsewhere, **Ferranti** continued firmly at 525p, up 10, and **Ward and Goldstone** were supported at 82p, up 6. **Hawthorn Leslie**, however, lost 4 at 144p following news of *Starwest's agreed increased cash* offer worth 147p per share.

John Brown led a recovery by the Engineering leaders, rising 5 to 75½p, after 76p, on news of a *$43m* Greek plant construction contract. **Hawker** rose 4 at 274p, *after 276p, while* **GKN**, *148p, and* **Tubes**, 154p, added 2 apiece. Elsewhere, buyers showed further interest in **Birmingham Pallet** which advanced 4 more to 40p, while **Victor Products** were also notable for a rise of 8 *at 160p.*

Selected Food Retailers turned dull on lack of support and sporadic selling. **J. Sainsbury** closed 4 down at 343p, after 340p, and **Bejam** 7 off at 111p, after 109p. Recently firm *Avana encountered profit-taking* and shed 5 to 230p, while **Robertson**, in receipt of a share exchange bid from the former, eased 3 in sympathy to 165p.

Leading Hotels and Caterers moved forward on hopes of increased hotel room bookings resulting from the Royal Wedding. **Trusthouse Forte** rose 8 to 201p and **Grand Metropolitan** 5 to 171p. **Savoy A** hardened a penny to 123p; the Kuwait Investment Office has increased its stake in the company to 34 per cent. Among overseas issues, **Seaview Hotel** put on 17 to 237p on its property interests.

Beecham weak

Beecham moved against the trend in miscellaneous industrials, falling 9 to 165p, after 163p, *on confirmation that its* new antibiotic Augmentin has *not been given a licence* for general application. **Unilever** rose 10 to 483p on further buying ahead of next Tuesday's annual results. Elsewhere, buyers were quick to choose the possible beneficiaries from the Royal Wedding, *announced for* late July. Pottery shares were *particularly favoured.* **Royal Worcester** jumped 23 to 293p, and **Wedgwood** gained 5 at 73p. **Wade**, 51p, and **Staffordshire**, 46p, advanced 4 and 3 respectively. **Birmingham Mint** added 17 at 222p and **Toye** rose 3 at 58p, *while* **Standard Fireworks** put on 9 to 97p. Investment buying ahead of the preliminary results due next month left **BTR** up 14 at a 1980-81 peak of 398p, while **Chubb** gained 4 to 93p following a squeeze on bear positions. *Manchester Ship Canal*, 160p, and **Granada**, 201p, added 5 apiece in response to Press comment, while **Standard Industrial** rose 6 to 92p on *fairly* aggressive support. Currently in receipt of a cash bid worth 80p per share from Crown House, **Denbyware** jumped 6 more to 94p on hopes of an increased offer. **Erskine House** rose 4 more to 41p and **R. K. Watson** put on 4 afresh to 88p. **B. S. and W. Whiteley** were suspended at 8p pending an announcement.

The political unrest in Spain unsettled travel concerns **Horizon** and **Saga Holidays**, the former dipping to 178p before closing only 2 cheaper on *balance* at 181p and the latter ending the same amount down *at 263p, after 261p.* Elsewhere in the Leisure sector, **Med***minster added a penny* at 67p, after 68p, on the increased interim profits, while **Black and Edgington** gained 4 to 38p on hopes of increased bunting sales from the Royal Wedding.

Oils remain quiet

The news that **Lucas** is to undertake a joint venture with **Chloride** *to develop electric* vehicles lifted the former 5 to *174p;* Chloride were unchanged at 38p. Motor Distributors gave back some of the previous day's rises and **Henlys** lost 3½ to 84p. **Caffyns**, however, were again wanted at 137p, up 3.

Transparent Paper, where Largs has acquired a 13.7 per cent stake, rose 4 to 31p. *Revived support lifted* **John Waddington** 6 to 100p, but **Olives** *Paper Mill annual results* today, eased a couple of pence to 23p.

Revived cheaper money hopes gave fresh impetus to Properties and **Land Securities** firmed 3 to 403p, while **MEPC** put on 5 to *240p. Elsewhere,* **Rosehaugh** moved up 15 for a two-day gain of 20 to 268p in response to the interim figures. Speculative demand in thin markets lifted **Estates and Agency** 6 to 112p and **Mountview Estates** the same amount to 170p. Interest was also shown in **Marlborough**, *which gained 2 to 47p.*

Interest in Oils remained low, but prices usually edged higher. **British Petroleum**, preliminary results March 12, improved 4 to 394p, while **Shell** picked up 8 to 406p. Among the more speculative exploration *issues*, **Clyde** gained 25 to 765p and **Berkeley Exploration** 10 to 265p, while **Carless Capel** added 4 to 166p. Transatlantic issues **Double** *Eagle at 230p and* **Warrior Resources**, at 240p, shed 25 and 20 respectively *following a drilling report.*

Textiles made useful progress, still drawing encouragement from recent company trading statements which have proved to be much better than expected. **Nottingham Manufacturing**, 120p, and **Dawson International**, 158p, both firmed 2, as did **Illingworth Morris**, at 19p. **Courtaulds** closed 4 up at 60p, while **Allied** rose 5 to 130p. A dawn-raid on **Gaskell Broadloom**, 20 up at 65p, was only partially successful; it was thought that slightly more than 40 per cent of the required number of 658,000 shares, representing 14.9 per cent of the company's equity, were acquired. Revived specu*lative support prompted* a gain of 6 to 94p in **Textured Jersey**.

Tobaccos were featured *by* **Rothmans International**, 2¼ dearer at 44¼p on currency influences.

Speculative support was again directed towards Plantations, although buying was of a selective nature.

Golds easier

Mining shares were again generally quiet yesterday, although there was some good two-way business in London Financials. Rises of 3 were common to **Consolidated Gold Fields**, 445p, **Charter Consolidated**, 238p and **Rio Tinto-Zinc**, 410p, while **Tanks** gained 2 to 265p.

The uncertain course of gold, finally $501.5, down $1, gave no assistance to South African Golds, and the Gold Mines index gave up 2.8 to 338.2. Among the dearer-priced issues, falls of around ½ point were common to **Vaal Reefs**, £31¼, **Western Holdings**, *£30¾*, *Free State* **Geduld**, £20¼, and **Winkelhaak** £12⅞. *Randfontein Estates and* **Kloof** were ¼ firmer at £27⅜ and £15 respectively.

In the cheaper stocks, **Stilfontein** were outstanding with a fall of 23 to 836p, while **Grootvlei** lost 11 to 375p

South African Financials were mixed with **Transvaal Consolidated Land** ¼ firmer at *£22¼*, but **Gold Fields of South Africa** a similar amount down at £25¼. **Middle Witwatersrand** lost 15 to 660p and **Anglo American** were 10 down at 620p. On the other *band*, **UC Investment**, 505p, *and* **Rand London Coal**, 98p, both *gained 10.*

Leading Australians were *little changed*, but **Peko-Wallsend** gave up 15 to 375p on *further consideration of the poor* first-half results, for a two-day fall of 35. The **Strata/Haoma/North West Mining** group gave ground on news that further testing *of the Woodada No. 3 exploration well will be delayed* for three months. **Strata Oil**, *174p*, and **Haoma Gold**, *102p*, were each 12 weaker, while **North West Mining** *lost 8 to 62p.*

In generally quiet Tins, **Gopeng** lost 10 to 680p following the chairman's forecast of lower, but "not unsatisfactory" results for this year.

FINANCIAL TIMES STOCK INDICES

	Feb. 24	Feb. 23	Feb. 20	Feb. 19	Feb. 18	Feb. 17	A year ago
Government Secs.	69.42	69.23	69.17	69.42	69.30	69.13	65.58
Fixed Interest	71.05	70.79	70.97	70.90	70.88	70.67	66.45
Industrial Ord.	494.5	486.6	488.4	494.2	489.3	485.5	453.6
Gold Mines	338.2	341.0	335.2	322.9	321.4	325.9	347.7
Ord. Div. Yield	7.28	7.39	7.35	7.28	7.36	7.40	7.31
Earnings, Yld.%(full)	16.21	16.45	16.36	16.19	16.37	16.47	17.97
P/E Ratio (net) (*)	7.55	7.44	7.48	7.56	7.47	7.43	6.82
Total Bargains	24 328	22,112	24,017	23,239	22,327	22,224	18,868
Equity turnover £m.	—	155.17	175.94	131.38	123.79	104.82	96.40
Equity bargains total	—	19,300	19,461	16,175	15,152	16,541	14,010

10 am 486.2. 11 am 488.5. Noon 491.7. 1 pm 492.3.
2 pm 492.5. 3 pm 493.3.
Latest Index 01-246 8026.
*Nil=6.97.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

	1980/81 High	1980/81 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	72.54 (21/7/80)	63.85 (7/3/80)	127.4 (9/1/66)	49.18 (3/1/75)
Fixed Int.	74.08 (24/7/80)	64.70 (10/3/80)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	515.9 (21/11/80)	406.9 (3/1/80)	558.6 (4/5/79)	49.4 (26/6/40)
Gold Mines	558.9 (22/9/80)	265.5 (18/3/80)	558.9 (22/9/80)	45.5 (26/10/71)

S.E. ACTIVITY

	Feb. 24	Feb. 23
—Daily		
Gilt Edged	154.0	126.4
Industrials	117.8	111.8
Speculative	27.8	23.3
Totals	78.3	71.7
5-day Avrge.		
Gilt Edged	140.3	140.9
Industrials	107.4	106.4
Speculative	27.3	28.8
Totals	72.5	73.0

NEW HIGHS AND LOWS FOR 1980/81

The following shares quoted in the Share Information Service yesterday attained new Highs and Lows for 1980-81.

NEW HIGHS (109)

BRITISH FUNDS (9)
INTERNATIONAL BANK (1)
CORPORATION LOANS (3)
COM'WEALTH & AFRICAN LOANS (2)
AMERICANS (7)
BANKS (7)
BEERS (1)
BUILDINGS (11)
DRAPERY & STORES (5)
ELECTRICALS (8)
ENGINEERING (3)
FOODS (2)
INDUSTRIALS (14)
INSURANCE (2)
LEISURE (2)
MOTORS (1)
NEWSPAPERS (1)
PROPERTY (5)
TEXTILES (9)
TRUSTS (16)
OVERSEAS TRADERS (2)
RUBBERS (1)

NEW LOWS (9)

AMERICANS (1)
Tesoro Petroleum
ELECTRICALS (1)
Vitatron N.V.
ENGINEERING (1)
Priest (B.)
FOODS (1)
Assoc. Fisheries
INDUSTRIALS (3)
Braby Leslie Nolton
Dyson (J. & J.) A
MOTORS (1)
Deltight
PAPERS (1)
Oxley Printing

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	73	2	21
Corpns. Dom. and Foreign Bonds	27	2	36
Industrials	391	124	871
Financial and Prop.	208	44	245
Oils	34	11	27
Plantations	12	3	8
Mines	42	52	71
Others	87	23	44
Totals	875	261	1,323

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tues., Feb. 24, 1981 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Mon. Feb. 23 Index No.	Fri. Feb. 20 Index No.	Thurs. Feb. 19 Index No.	Wed. Feb. 18 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (211)	309.31	+1.0	13.45	5.32	9.07	306.32	306.19	306.59	302.58	241.43
2	Building Materials (26)	275.52	+0.9	16.98	6.27	7.03	273.07	272.70	272.24	272.81	234.31
3	Contracting, Construction (26)	478.02	+0.5	19.09	5.32	6.30	475.57	471.75	478.75	467.08	364.94
4	Electricals (27)	1019.21	+0.9	8.52	2.56	14.49	1009.64	1008.85	1010.08	995.13	626.27
5	Engineering Contractors (11)	407.49	+0.7	14.63	6.35	8.71	404.68	410.28	406.57	403.10	292.16
6	Mechanical Engineering (71)	180.94	+0.7	16.16	7.29	7.74	179.69	180.23	181.21	177.50	166.09
8	Metals and Metal Forming (13)	147.17	+0.9	17.92	11.34	7.07	145.87	145.30	146.06	141.51	161.80
9	Motors (21)	89.84	+0.6	20.67	9.22	5.59	89.30	89.01	89.01	87.36	110.89
10	Other Industrial Materials (16)	312.69	+2.1	14.66	6.87	8.11	306.11	306.38	307.26	304.44	0.00
21	CONSUMER GROUP (198)	249.02	+1.1	15.15	6.33	8.02	246.40	246.27	247.50	246.07	220.47
22	Brewers and Distillers (20)	272.82	+2.1	16.98	6.71	6.99	267.10	269.10	271.15	269.64	268.34
25	Food Manufacturing (23)	223.99	+1.0	17.58	7.07	6.75	221.88	221.48	221.09	220.40	199.93
26	Food Retailing (14)	456.52	−1.0	9.87	3.52	11.98	461.22	460.41	460.95	460.97	304.00
27	Health and Household Products (7)	257.72	−2.6	10.31	5.54	11.53	264.52	269.42	273.09	268.56	212.05
29	Leisure (22)	365.16	+3.2	15.31	6.26	8.05	354.00	351.27	350.68	350.31	298.34
32	Newspapers, Publishing (12)	445.65	−0.1	20.48	7.00	6.34	446.31	443.82	443.15	439.07	444.42
33	Packaging and Paper (15)	125.26	+0.3	25.50	9.69	4.54	124.95	123.66	124.30	121.78	130.67
34	Stores (44)	259.07	+1.8	11.48	4.86	11.40	254.39	253.86	255.58	254.62	220.59
35	Textiles (21)	140.80	+3.1	18.25	9.61	7.16	136.61	133.87	133.82	132.05	129.78
36	Tobaccos (3)	224.84	−0.2	24.10	10.35	4.76	225.36	223.31	225.77	224.79	207.09
39	Other Consumer (17)	261.47	+2.3	14.58	7.35	8.39	255.49	253.24	252.30	245.47	0.00
41	OTHER GROUPS (79)	217.70	+1.0	18.04	7.85	6.63	215.62	217.22	218.87	217.79	208.87
42	Chemicals (15)	278.09	+1.3	21.01	9.54	5.57	274.56	279.47	282.89	282.92	307.56
44	Office Equipment (6)	103.66	+1.0	17.96	8.01	6.61	102.66	102.71	102.94	101.26	118.63
45	Shipping and Transport (13)	565.63	+0.5	13.39	6.50	9.17	562.65	564.12	568.94	567.94	477.97
46	Miscellaneous (45)	271.31	+0.8	16.33	6.29	7.53	269.28	269.54	269.67	267.08	246.75
49	INDUSTRIAL GROUP (488)	265.66	+1.0	14.92	6.16	8.13	262.98	263.13	264.19	261.98	230.29
51	Oils (12)	842.18	+1.5	28.52	6.25	3.91	829.75	835.32	843.73	827.06	885.42
59	500 SHARE INDEX	311.40	+1.1	17.78	6.18	6.63	307.95	308.52	310.15	306.81	275.60
61	FINANCIAL GROUP (118)	245.79	+0.2	—	5.46	—	245.23	243.82	244.05	241.78	197.85
62	Banks (6)	230.59	−1.7	43.88	7.52	2.74	234.51	236.54	232.44	233.26	227.77
63	Discount Houses (10)	312.65	+1.4	—	5.75	—	308.22	307.39	306.01	305.98	223.56
64	Hire Purchase (5)	232.18	+0.7	9.79	4.41	13.47	230.55	228.09	226.95	225.14	185.35
65	Insurance (Life) (10)	256.00	+1.5	—	5.15	—	252.12	248.83	251.39	249.26	172.02
66	Insurance (Composite) (9)	157.87	+0.7	—	7.41	—	156.71	152.73	155.28	151.68	126.26
67	Insurance Brokers (9)	346.53	+1.0	13.16	6.68	10.39	343.22	336.85	343.10	336.60	287.64
68	Merchant Banks (13)	151.12	+0.6	—	5.12	—	150.20	150.26	149.54	148.92	103.60
69	Property (45)	485.93	+0.5	3.05	2.55	45.49	483.58	483.98	483.58	478.72	365.63
70	Miscellaneous (11)	176.84	+0.2	15.51	5.25	8.19	176.41	176.08	176.19	174.94	131.26
71	Investment Trusts (109)	287.00	+0.8	—	5.36	—	284.58	284.27	284.29	282.82	223.66
81	Mining Finance (3)	217.39	+0.8	15.02	6.17	7.93	215.71	215.02	213.49	212.73	217.09
91	Overseas Traders (20)	448.56	−0.4	11.39	6.79	10.70	450.17	451.25	453.79	448.56	407.84
99	ALL-SHARE INDEX (750)	297.86	+0.9	—	6.01	—	295.23	295.27	296.41	293.45	257.97

FIXED INTEREST PRICE INDICES

	British Government	Tues. Feb. 24	Day's change %	Mon. Feb. 23	xd adj. today	xd adj. 1981 to date
1	Under 5 years	108.08	+0.09	107.98	—	2.48
2	5-15 years	111.16	+0.41	110.71	—	1.89
3	Over 15 years	113.37	+0.34	112.98	—	2.66
4	Irredeemables	127.05	+0.29	126.69	—	1.45
5	All stocks	110.57	+0.29	110.25	—	2.10

FIXED INTEREST YIELDS British Govt. Av. Gross Red.

			Tues. Feb. 24	Mon. Feb. 23	Year ago (approx.)
1	Low Coupons	5 years	11.24	11.26	12.96
2		15 years	12.22	12.23	12.84
3		25 years	12.43	12.48	12.84
4	Medium Coupons	5 years	13.01	13.09	14.86
5		15 years	13.80	13.87	14.41
6		25 years	13.65	13.68	14.23
7	High Coupons	5 years	13.94	13.98	15.40
8		15 years	14.01	14.07	14.75
9		25 years	13.85	13.88	14.20
10	Irredeemables		11.60	11.63	11.02

		Tues., Feb. 24 Index No.	Tues., Feb. 24 Yield %	Mon. Feb. 23	Friday Feb. 20	Thur. Feb. 19	Wed. Feb. 18	Tues. Feb. 17	Mon. Feb. 16	Friday Feb. 13	Year ago (approx.)
15	20-yr. Red. Deb. & Loans (15)	52.35	14.16	52.52	52.51	52.50	52.30	52.29	54.29	52.27	[illegible]
16	Investment Trust Prefs. (15)	50.76	13.34	50.71	50.71	50.71	50.71	50.71	50.89	[illegible]	48.03
17	Coml. and Indl. Prefs. (20)	67.63	13.26	67.45	67.28	67.28	67.32	67.35	67.14	[illegible]	61.65

† Redemption yield. Highs and lows record base dates and values and constituent changes are published in Saturday issues. A new list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 26½p.

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1980-81 high	1980-81 low
Allebone	10p	14	38	+ 5	40	15
Beecham	25p	11	165	− 9	185	108
British Aerospace New	50p	9	177	+ 3	179	170
GEC	25p	9	647	+ 7	653	326
BTR	25p	7	398	+14	398	201
Plessey	50p	7	306	+ 2	306	108
Ass. Dairies New	Nil/pd.	6	22pm	—	22pm	17pm
Grand Met.	50p	6	171	+ 5	170	120
ICI	£1	6	288	+ 4	402	282
Land Securities	50p	6	403	+ 3	406	237
Racal Electronics	25p	6	357	+ 1	370	175
Unilever	25p	6	483	+10	512	388
GKN	£1	5	148	+ 2	279	133
Imperial Group	25p	5	79	—	89½	70
Shell Transport	25p	5	406	+ 8	522	314

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Feb. 16	Feb. 27	May 28	June 8
Mar. 9	Mar. 20	June 11	June 22
Mar. 23	Apr. 3	June 25	July 6

For rate indications see end of Share Information Service

Activity in the Option market remained at a low ebb. Calls were arranged in Boustead, North Kalgurli, Fisons, Premier Oil, London and European, Laporte, British Aerospace, Town and City Properties, Transparent Paper, Intervision and Lennard Oil. No puts were reported, but doubles were taken out in ICI, Strata Oil, Lonrho, Grindlays Holdings and FNFC.

RECENT ISSUES

EQUITIES

Issue Price p:	Amount Paid Up	Latest Renunc. Date	1980/81 High	1980/81 Low	Stock	Closing Price p	+ or −	Div. P. or Amount	Times Covered	Gross Yield	P.E. Ratio
150	F.P.	3.4	179	170	British Aerospace 50p	177	+3	b7.8	2.0	6.3	11.3
610	F.P.	—	650	600	‡Cramphorn	650	.....	16.5	2.1	3.6	—
10p	F.P.	27.3	16	13½	‡Crest IntScs. 10p	15½	+½	—	—	—	—
5:	F.P.	—	8	6½	‡Dunton 5p	7½	.....	—	—	—	—
100	F.P.	—	102	95	New Darien Oil Trust	99	.....	—	—	—	—
42p	F.P.	13.5	45	39	Oil & Gas Production	39	+1	—	—	—	—
4.2p	P.P.	13.5	9	7½	Do. (£0.01 pd.)	8	.....	—	—	—	—
	F.P.	—	14	13	‡Parkfield Foundri's	13	.....	0.88	6.4	9.3	2.4
81!	F.P.	16.3	106	96	Sonic Sound Audio 10p	101	+1	b4.48	1.9	6.3	9.8
**	F.P.	9.2	84	72	Westpool Inv. Defd	75	.....	—	—	—	—

FIXED INTEREST STOCKS

Issue price £	Amount Paid Up	Latest Renunc. Date	1980/81 High	1980/81 Low	Stock	Closing Price £	+ or −
	F.P.	14.1	111	100½	Allied London 8½% Cnv. Uns. Ln. 1999	106	−1
¶100	£10	21.5	11½	11½	Bristol Water 8% Red. Pref '86	11½	.....
100p	F.P.	29.1	106p	102p	Comben 11.375% Cum. Red. Pref.	106p	.....
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Crystalate 9¼% Cnv. Uns. Ln. '99-2000	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Essex Waterworks 8% Red. Pref. 1986	[illegible]	[illegible]
96	[illegible]	[illegible]	[illegible]	[illegible]	Iceland [illegible]	[illegible]	[illegible]
£100	[illegible]	[illegible]	[illegible]	[illegible]	Lon. Merchant Secs. [illegible]	[illegible]	[illegible]
99	[illegible]	[illegible]	[illegible]	[illegible]	Mid-Sussex Wtr. [illegible] Red. Deb. [illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	Paterson (R.) [illegible] Cum. Prf.	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	Portals [illegible] Cnv. 1994-2000	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue Price p:	Amount Paid Up	Latest Renunc. Date	1980/81 High	1980/81 Low	Stock	Closing Price p	+ or −
65p	Nil	[illegible]	59pm	50pm	Argyll Foods	57pm	+2
154p	Nil	[illegible]	22pm	17pm	Assoc. Dairies	22pm	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Benlox	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Hampton Trust	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Johnson Matthey	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	North Kalgurli Mines	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Paradise B	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Norcros	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Royal Insurance	377	[illegible]

Renunciation date usually last day for dealing free of stamp duty. [illegible]

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

Frankfurt Trust Investment—GmbH
Neue Mainzer Strasse 74-76, D-6000 Frankfurt

FT-Interzins	DM36.99	40.43	−0.04	—
Frankft. Effekt. Fd.	DM50.47	53.13	+0.04	—

Free World Fund Ltd.
Butterfield Bldg., Hamilton, Bermuda.

NAV Dec. 31	US$145.99	.....	—

G.T. Management Ltd.
Park Hse., 16 Finsbury Circus, London EC2
Tel: 01-628 8131. TLX: 886100
London Agents for:

Anchor 'B' Units	US$1.69	1.74	.....	1.25
Anchor Gilt Edge	£9.26	9.32	+0.02	13.63
Anchor Int. Fd.	US$8.26	8.49	.....	1.24
Anchor In. Jsy. Tst.	39.9	42.6	.....	2.81
Berry Pac Fd.	US$59.58		.....	0.92
Berry Pac Strlg.	£3.28	3.4320	.....	1.21
G.T. Asia Fd.	HK$20.58		.....	1.21
G.T. Asia Sterling	£26.14	27.21	.....	1.53
G.T. Australia Fd.	A$36.99		.....	0.78
G.T. Bond Fund	US$11.72		−0.10	11.09
G.T. Dollar Fd.	US$12.56		.....	1.19
G.T. Dlr. (Strlg.) Fd.	13.45	14.01	.....	1.11
G.T. Invest. Fd.	US$17.06		.....	0.59
G.T. Japan Small Cos.	US$16.36		.....	—
Marianne (STG) Fd.	£10.41	10.96	.....	3.31
G.T. Technology Fd.	US$21.35		−0.55	—
G.T. Pacific Fd.	US$15.70		−0.42	2.99
G.T. Asean Growth Fd.	US$11.06	11.81	.....	0.44

Gartmore Invest. Ltd. Ldn. Agts. [illegible]

Kleinwort Benson Group
20, Fenchurch St., EC3. 01-623 8000

Guernsey Inc.	86.2	91.6	.....	5.34
Do. Accum.	114.8	124.0	.....	5.34
K.B. Eurobond Fd.	£8.97	9.09	.....	9.66
K.B. Far East Fd.	US$27.03		.....	2.29
K.B. Gilt Fund	£9.79	9.86	.....	12.45
K.B. Int. Bd. Fd. Inc.	US$91.13		.....	9.53
K.B. Int. Bd. Fd. Acc.	US$109.96		.....	9.53
K.B. Intl. Fund	$16.79		.....	2.08
K.B. Japan Fund	US$44.95		+1.78	0.56

[illegible]

Save & Prosper International
Dealing to
P.O. Box 73, St. Helier, Jersey 0534 73933
Fixed Interest Funds

Deutschmark Bd.	DM8.73	9.31	.....	5.91
Dlr. Fxd. Int.	US$7.76	8.28	.....	9.06
St. Fixed	105.9	112.0	.....	12.50
Yen Bond	Y1,007	1061	.....	4.71

Equity Funds

Channel Capital	83.7	88.2	.....	2.37
Interasit. Gr.	US$12.41	13.42	.....	—

[illegible]

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
72-80, Gatehouse Rd., Aylesbury 0296 5941

Abbey Amer. Gth. Tst.	56.5	60.8xd	+0.9	2.38
Abbey Capital	45.2	48.8	+0.2	5.02
Abbey General	54.6	59.0xd	+0.2	5.20
Abbey Gilt & F.I. Tst.	106.6	112.2	+0.5	11.68
Abbey Income	34.8	37.6xd	+0.2	9.34
Abbey W'Wide Bd Tst.	94.6	100.1	+0.9	6.69
Abbey Inv. Tst. Fd.	48.9	52.7	.....	4.89
Equitas Prog. Tst.	79.4	85.4	+0.3	4.77

Allen Harvey & Ross Unit Tst. Mngrs.
45, Cornhill, London EC3V 3PB. 01-623 6314.

AHR Gilt Trust	86.1	90.6xd	+0.1	12.74

Allied Hambro Ltd. (a) (g)
Hambro Hse., Hutton, Brentwood, Essex.
01-588 2851 or Brentwood (0277) 211459

Balanced Funds

Allied 1st	86.9	93.0xd	+0.3	6.20
Brit. Inds. Fund	76.1	81.4	+0.3	6.56
Growth & Income	49.8	53.3	+0.5	5.07
Elect. & Ind. Dev.	44.0	47.1	+0.4	5.31
Allied Capital	95.2	101.9	+0.5	4.51
Hambro Fund	130.7	139.8	+0.5	6.19
Hambro Acc. Fund	179.1	191.6	+0.7	4.75

Income Funds

High Yield Fd.	62.5	66.9xd	+0.4	8.97
High Income	85.4	91.4	+0.6	6.95
Equity Income Fd.	44.7	47.8xd	+0.2	7.66
Govt. Secs.	25.3	26.0	.....	11.92

International Funds

International	33.7	36.1xd	+0.4	2.22
Japan Fund	24.0	25.7	+0.2	0.25
Pacific Fund	65.5	70.1	+1.2	1.11
Secs. Of America	70.7	75.6	+1.3	2.12

Craigmount Unit Tst. Mgrs. Ltd.
Bucklersbury, London EC4N 8BD. 01-248 4984

High Income	55.5	58.7xd	+0.1	11.78
North American	59.8	64.6	+0.6	2.66
Canadian Exempt*	64.8	68.6	-1.0	3.90
Canadian Trust	67.5	68.6	+0.5	2.61
Mid Mount High Inc.*	46.2	48.9	+0.1	9.87
Recovery	58.5	63.9	+0.4	6.74
Gilt Trust	42.4	44.4xd	+0.2	13.04

*Weekly dealing day Wednesday.

Crescent Unit Tst. Mngrs. Ltd. (a)(g)
4 Melville Cres., Edinburgh 3 031-226 4931

Cres. Amer. Fd.	38.5	41.5	+0.5	0.90
Cres. Internat'l.	77.0	83.1	+1.0	1.73
Cres. High. Dist.	43.3	46.7	+0.4	10.44
Cres. Reserves	49.1	53.0xd	+0.3	5.42
Cres. Tokyo	32.1	34.6	+0.4	0.90

Darlington Unit Trust Mngt. Ltd.
Bridge Chambers, Barnstaple, Devon 0271 76324

Total Perf. Unit Tst.	24.1	25.5	.....	10.31

Discretionary Unit Fund Managers
36/38 New Broad St, EC2M 1NU. 01-638 4485

Disc. Inc. Feb. 6	225.3	240.3	.....	5.49

E. F. Winchester Fund Mngt. Ltd.
44, Bloomsbury Square, WC1A 2RA 01-623 8893

Great Winchester	17.6	19.4xd	.....	7.29
Gt. Winchester O'seas	26.0	28.9xd	.....	3.68

Equity & Law Un. Tr. M.♥ (a)(b)(c)
Amersham Rd., High Wycombe. 0494 33377

Equity & Law	87.7	92.3	+0.6	4.75

Fidelity International Management Ltd.
62-63 Queen St, London EC4 1AD 01-248 4891

American (z)	33.1	35.6	+0.8	0.78
Amer. Spec. Sits. (z)	24.3	26.2	+0.5	0.90
Gilt + Fixed Int.	25.0	26.4	.....	12.02
Growth + Income	31.0	33.4	+0.1	7.08
Maximum Inc. Eq. Tst.	26.5	28.5	+0.2	8.93
Special Sits.	37.9	40.8	-0.2	1.95

James Finlay Unit Trust Mngt. Ltd.
10-14, West Nile Street, Glasgow. 041-204 1321

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INSURANCE PROPERTY BONDS

[illegible]

OFFSHORE & OVERSEAS FUNDS

[illegible]

Continued on previous page

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

INTERNATIONAL BANK

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

BANKS AND HIRE PURCHASE

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS—Continued

ENGINEERING MACHINE TOOLS

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1980-81 High	Low	Stock	Price	+ or —	Div. Net	C'vr	Y'ld Gr's	P/E
219	120	Hanson Trust	219	+3	8.5	2.2	5.5	9.6
£122	£70	Do. Cnv	£121	—	Q6½%	28.5	£5.3	—
54	40	Hargreaves 20p	41	—	3.96	2.2	13.8	(3.9)
88	52	Harris (Ph.) 20p	64	+1	5.5	1.6	12.3	(6.1)
46½	28½	Harris & Sheldon	32	—	3.0	2.3	13.8	4.3
34	18	Hawkins & Tipson	27	—	1.0	♦	5.3	♦
16¾	6½	Hawtin 5p	8½	—	0.25	8.6	4.2	2.9
72	46	Hay (Norman) 10p	54	—	‡3.35	1.7	‡	9.3
112	86½	Hepworth Ceramic	106½	—	5.0	3.3	6.7	5.2
36	22	Hestair	32	+1	1.0	1.0	4.5	(40.1)
50	32	Hewitt (J.)	43	+3	1.5	9.8	5.0	2.3
43	24	Highgate & Job 50p	43	—	—	—	—	—
65	40	Hill (Chas.) £1	45	−2	—	—	—	—
33	16	Hirst Mal'son 20p	19½	+2	0.1	—	—	—
100	75	Holden (A.)	88	—	5.0	3.3	8.1	4.3
51	23	Hollis Bros	34	—	‡1.4	—	‡	—
88	55	Holt Lloyd Int. 10p	63	—	h3.17	2.5	7.2	6.5
182	106	Hoover 'A'	122	−2	6.0	—	7.1	—
112	34	Hopkins & H 20p	50	—	‡8.0	1.5	‡	3.6
*80	48	Howard Tenens	61	−1	‡2.28	2.0	‡	11.3
377	230	Hunting Assoc.	278	—	5.0	6.0	2.6	7.2
*136	60	Huntleigh 10p	132	+1	‡1.5	2.8	1.6	33.1
167	55½	Hutch Whamp $HK1	145	+4	hQ28c	2.6	1.6	24.1
25½	12	Hyman (I. & J.) 5p	13½	—	1.25	3.6	13.2	3.0
£14⅛	845	I.C. Industries$1	£13	—	Q$2.00	—	6.8	—
196	31	ICL	36	—	2.97	—	11.8	—
39	24	Ingall Inds. 10p	36	—	2.27	1.6	9.0	9.9
215	107	Initial Services	198	+1	7.5	2.9	5.4	9.8
18	8½	Inter-City 20p	9	—	‡0.6	1.8	‡	(6.9)
57	39	J. B. Holdings 10p	40	—	3.0	2.1	10.7	6.2
163	100	Jacksons Bourne	160	−2	5.0	3.3	4.5	9.7
12¾	4½	James (M.) Inds. 10p	12¾	—	‡0.75	3.9	‡	3.5
295	108	Jardine M. $HK5	198	+6	Q88c	1.9	3.7	14.4
29	15½	Jentique	18½	—	1.03	2.0	8.0	(7.3)
16	3	Johnson & Barnes	9½	—	—	—	—	—
193	135	Johnson Clnrs.	171	—	‡6.2	3.8	5.2	5.5
*280½	99½	Johnson Mthy. £1	226	+1	‡9.0	2.8	5.7	(8.7)
92	39½	Jourdan (T.) 10p	82	—	4.2	0.6	7.3	31.8
86	60	Kalamazoo 10p	62	−1	3.75	1.4	8.6	10.2

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FINANCIAL TIMES
Wednesday February 25 1981

MINISTERS SHUN EEC COMMISSION PLANS

Big farm price rises sought

BY JOHN WYLES IN BRUSSELS

THE European Commission's modest proposals for tackling some of the problems in the Common Agricultural Policy *were so severely criticised by* Farm Ministers yesterday that the Community's determination to curb the costs of the policy must be in doubt.

Eight of the 10 delegations called for produce price rises larger than the average 7.8 per cent suggested by the Commission, while France and others rejected a proposed basic strategy for reducing the volume of surpluses and the costs of handling and disposing of them.

The UK was virtually alone yesterday in supporting the Commission's approach to prices and to the application of the so-called responsibility principle, under which farmers would bear an increased share of the cost of coping with surpluses.

All Ministers except Britain's Mr. Peter Walker and his West German colleague Herr Josef Ertl, said the proposed price increases failed to compensate adequately for the drop in farmers' incomes in the past year. *The Commission* says incomes fell 8.9 per cent while the farming industry claims a drop of 15.3 per cent.

Although first reactions to the Commission's annual price proposals are traditionally tactical, every Minister quarrelled with one or more of the vital elements in the proposed package.

The tendency of Farm Ministers to ignore wider considerations when fixing agriculture prices is part of Community folklore. But if Mr. Walker was right in asserting the Commission's approach to prices and to the application of the ... Minister was speaking for his Government, the determination of EEC countries to keep the growth in farm spending to a minimum appears to be softening.

The Commission says its package of price increases coupled with taxes on over-production would add only £234m or 3.4 per cent to the annual cost of the CAP. But since the danger of reaching the EEC's budgetary ceiling is no longer imminent, many Governments are now more sensitive to demands of their farmers than to the Community's need to economise.

Attitudes may become clearer after a meeting of the Finance Council next month at which the UK is expected to try to manoeuvre Ministers into setting guidelines for the farm price package.

Italy and Greece yesterday wanted more generous prices for Mediterranean producers, while the Netherlands and Denmark wanted bigger rises for certain unspecified products.

With Irish support, M. Pierre Mehaignerie of France rejected the broad use of co-responsibility levies. He argued that these were too reformist and should be debated when the 10 discuss budget restructuring later in the year.

Herr Ertl also questioned co-responsibility, and specifically attacked a suggested "super-levy" which would bear heavily on EEC dairies if their milk intake exceeded certain limits.

Both Mr. Walker and Herr Ertl rejected the Commission's *suggestion* that they should accept a 5 per cent revaluation of the so-called "green" D-Mark and the "green" pound.

"Green" currencies are the special rates at which prices for Community farm produce—fixed in European Currency Units—are translated into national currencies. The British and German green rates are currently undervalued against sterling and the D-Mark.

The proposed revaluation would reduce the import levies and export subsidies (monetary compensatory amounts)

Commodities, Page 23

Steel production 'exceeding quotas'

BY GILES MERRITT IN BRUSSELS

A NUMBER of major European steelmakers have broken ranks and exceeded production quotas agreed under the Common Market's emergency regime for the industry. Last year's price-cutting war has also been renewed, according to European Commission officials.

Several companies have been asked to "clarify" their production figures following Commission charges that they have exceeded their quotas for the last quarter of 1980.

Officials refuse to release any names, but say that fines imposed will be made public to demonstrate Brussels' determination to maintain output discipline.

There is also anxiety that the regime's output targets for the first quarter of this year could be widely exceeded, following the publication of figures showing EEC crude steel production last month at 9.77m tonnes compared with 8.6m tonnes last December.

If this trend continues during the present quarter, the overall quota of around 27m tonnes would be exceeded by some 3m tonnes. It is understood that producers are being warned that serious cutbacks are needed next month.

Another important problem is that price monitoring in Brussels suggests that, in spite of quota regime, some steelmakers have reverted to price cutting because of continuing weak demand.

There have been signs of a renewed prices war in such products as wire rod, reinforcing bars and merchant bars. Prices for these fell last month by as much as 15 per cent from the more stable levels established during November and December last year.

The emergency regime was instituted for nine months at the beginning of October last year. Its renewal will be discussed at a special meeting of Ministers on March 3.

Unions may use more muscle, says TUC

By Christian Tyler, Labour Editor

THE USE of industrial muscle to force a change of Government policy would "inevitably grow" unless the Government repented further and listened to trade union views, the TUC said last night.

Referring to the miners' successful strikes over pit closures, Mr. David Basnett, chairman of the TUC economic committee, told the Chancellor of the Exchequer that failure to work for a consensus on economic management would encourage both the threat and the use of force.

He said: "That is not a choice which the unions welcome. Industrial action means further hardships for our members and the community.

"We have to ask ourselves, however, if there is any other means of deflecting this administration from policies which are having disastrous consequences on the nation's well-being?"

He was speaking after the TUC economic committee had met Sir Geoffrey Howe, the Chancellor, Mr. Jim Prior, Employment Secretary, and Mr. Leon Brittan, Chief Secretary of the Treasury, to press trade union demands for an expansionist budget.

There was no suggestion despite the Government's climb-down over the miners that the Government will meet any of the TUC's main demands. But, according to Mr. Basnett, there was an atmosphere of uncertainty and confusion on the Government side. Ministers were much less dogmatic about the course of their policy than in previous encounters.

Mr. Len Murray, TUC general secretary, said that the Chancellor had been critical of the TUC's suggestion of a £6bn reflation in the Budget because of its effects on the public sector borrowing requirement and on interest rates.

But he said the Government was plainly worried by the political flak it was getting from industrialists. Conservative backbenchers and the unions as well as by apparent differences of opinion among ministers.

The TUC accused the Government of not grasping the scale and speed of the recession which, it said, showed no sign of ending.

"The TUC welcomes the belated sign of flexibility displayed by the Government last week over the serious problems of the mining industry," he said.

"There is joy in heaven over the sinner that repenteth; but does the repentance go far enough?"

Today the Government will be asked to sign the bill presented to it by the mining unions and the National Coal Board for keeping open unprofitable coalmines.

Tomorrow senior ministers will meet leaders of the coal, rail and steel unions who are seeking more generous treatment, especially for the railway.

THE LEX COLUMN

Bleak U.S. outlook for insurers

The message from Commercial Union, the first of the big UK insurers to report full 1980 figures, is that pre-tax profits have fallen from £137.6m to £103.2m — and that there is little scope for recovery in 1981. Yet the balance sheet is strong, with a solvency margin of 66 per cent, and the dividend is up by just over a tenth. The shares, which have been among the strongest in the sector, rose 3p to 156p yesterday where they yield 10½ per cent.

The main problem still lies in the U.S., where the underwriting loss rose nearly fourfold to £31.8m. The deterioration in the operating ratio has been roughly in line with that for the U.S. industry as a whole, and there is no doubt that conditions will be a good bit worse in 1981. The group hopes that the underwriting cycle could start to recover towards the end of the year, but admits that it could take longer.

Canada may have already turned the corner, after a horrible year in which underwriting losses amounted to something like 15 per cent of premiums. But business is *getting tougher in the UK*, which made a small underwriting loss last year for only the third time in the last decade.

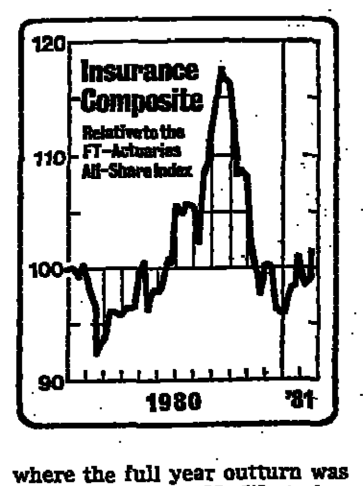
An apparent disappointment is that the underlying rate of increase in investment income is no more than 15 per cent. One explanation is that the group has been investing in tax efficient U.S. bonds, which carry a low coupon: its overall tax rate is well down for the year. Anyway, Commercial Union says it is content with its investment performance.

Unless sterling falls sharply this year, there must be a distinct chance that the impact of higher investment income will be wiped out by increased underwriting losses. But the most important piece of news for the longer term is that the group's U.S. expansion plans are on target. In dollar terms, U.S. premium income rose by no less than 24 per cent in the final quarter, and the claims ratio held steady. The expense ratio is still high, but should start to come down at the end of this year when the new data processing systems become fully effective.

Nat. West

NatWest's pre-tax profits have fallen by 18 per cent in the second half, whereas the drop at Lloyds had been held to 4 per cent. So in contrast to Lloyds,

Index rose 7.9 to 494.5



where the full year outturn was slightly higher, NatWest has revealed a fall of £31m to £410m. Although the dividend is up by a fifth, NatWest's share price fell yesterday by 4p to 360p. The yield is about 8½ per cent.

In the UK, profits from domestic banking have fallen by two-fifths to £258m, in spite of a strong volume performance. As in the case of Lloyds, bad debt provisions, a switch to deposit accounts by customers and an increase of about a third in staff costs explain the decline.

Charges for provisions for bad and doubtful debts are up from £40m to £120m for the group, with about three-quarters of the increase attributed to problems in the UK manufacturing sector. But, whereas there was a big jump in the charge between the two halves in Lloyd's case, there has been a slight reduction at NatWest. Finally, NatWest estimates that of the £100m potential benefit of higher interest rates, about £55m has been lost due to the switch from current to deposit accounts.

The contribution from the international business has jumped from £104m to £155m, and the bank seems to have been able to take advantage of volatile currency markets, *particularly earlier in the year*. There seems to have been a slight falling off here in the second six months.

In the current year the international division cannot be relied on to produce much growth, while the domestic side will be under pressure as interest rates fall—even though a lower charge on bad debts may provide some offset. However, the dividend is covered nearly three times by current cost earnings. The strength of current cost profits in the second half, only £3m lower than the same period a year ago at £131m, underlines the impact of lower monetary working capital adjustments as inflation declines. So there are no worries about the bank's dividend paying power.

Akzo

AKzo's provisional figures for 1980 are not a breezy prelude to ICI's profits for the final quarter, to be unveiled tomorrow. Akzo has managed to produce net profits of Fl 45m in October-December, before the extraordinary losses involved in restructuring its fibres business, compared with a Fl 26m loss in the preceding three months. But this is mainly because of a buoyant performance from pharmaceuticals and general consumer products. On the chemicals and plastics side there is still no sign of a significant upturn in demand, and it is proving difficult to push through price rises following increases in naphtha prices in the current quarter.

Gilt-edged

The exhaustion of the medium tap — 12 per cent Treasury 1986 — took most people by surprise yesterday morning. The impression had been that there was still roughly £400m nominal left to be absorbed, and there were half a dozen different stories about who had done the buying. Whatever the explanation, there is for the moment only one tap stock left — Exchequer 12¼ per cent 1999 "B". Although its price is beginning to come in sight of the firing line, most of the action is concentrated at the shorter end, on the likely beneficiaries of a sharp cut in Minimum Lending Rate. The longer-dated stocks give investors other things to think about, like inflationary pressures or the prospect of an unsettling Budget statement.

Rises in the gilt-edged market washed over into equities, and helped to carry the FT Industrial Ordinary Index up to its highest closing level since late November. Most remarkably, the FT-Actuaries Industrial Group is well within reach of its all-time peak, buoyed by the strength of capital goods sectors like construction. It all helps to take your mind off weddings.

CU profits cut 25% last year

By Eric Short

SEVERE underwriting losses in North America have contributed to Commercial Union's pre-tax profits being cut last year by a quarter from £137.6m to £103.2m.

The UK group, the first composite to announce its 1980 results, says losses in the U.S. almost quadrupled from £8.3m to £31.8m. In Canada, a £400,000 underwriting profit in 1979 was turned round to an £11.9m loss last year.

A £2.3m loss in the UK compared with a £3.5m profit in 1979 meant total worldwide underwriting losses more than doubled last year from £21.3m to £57.3m.

Net investment income in 1980 rose a marginal 2 per cent in sterling terms from £141m to £142.8m and did *little to offset the underwriting losses.*

A lower tax charge trimmed the reduction in attributable profits to shareholders, which fell nearly 17 per cent from £91.8m to £76.5m. The CU lifted its final dividend by 0.6p to 6.4p, thereby ignoring the actual trading results, making a total dividend for 1980 of 10.8p against 9.8p.

Mr. Jack Emms, CU's chief general manager, attributed the deterioration in profits not only to reduced insurance business in the U.S. and Canada, but also to the continuing strength of sterling.

Had exchange rates remained constant during 1980, pre-tax profits would have fallen by about 20 per cent and attributable profits by less than 10 per cent.

Underwriting losses reflect the excess of claims paid out and overhead expenses over premiums. Mr. Emms said the group's claims experience in the U.S. was better than the industry average. But the group had a higher than average expense ratio, arising from the cost of the group's long-term strategy of achieving greater profitability and a larger share of the market, including the costs of developing computer systems.

Mr. Emms expected higher underwriting losses as the U.S. trade cycle bottomed out later this year, offset partially by increased investment income.

Details, Page 16

NatWest to boost dividend 20%

BY MICHAEL LAFFERTY, BANKING CORRESPONDENT

NATIONAL WESTMINSTER Bank is the second of the big four London commercial banks to increase its dividend by 20 per cent. It has done so despite a substantial fall in reported *profits on traditional historic* cost and inflation-adjusted bases.

The reduction in profits is most marked on a current cost basis. This shows attributable profits of £142m last year, a reduction of more than 30 per cent on 1979.

On the conventional basis, pre-tax profits emerge at £410m, a reduction of 7 per cent on the 1979 figure.

The historic cost figures show the main impact on profits was in the domestic clearing section of NatWest, where profits fell from £325m to £258m. This is partly compensated for by better figures from the international division, where profits are up almost 50 per cent.

NatWest says the decline in domestic profits is mainly attributable to the need to make higher provisions for bad and doubtful debts in a particularly difficult period for industry, as well as an increase in operating costs.

Another factor has been a more costly mix of deposits, as retail customers took advantage of higher interest rates to switch money out of non-interest bearing current accounts.

NatWest said yesterday that UK staff costs increased by 33 per cent in 1980, of which only about 3 per cent related to increased staff numbers.

Staff rewards include participation in a profit-sharing scheme which involved a *charge of £19m against profits* in 1980. This compares with a gross dividend costing the group £71m.

The group charge against profits for increased bad and doubtful debt provisions has trebled from £40m to £120m, and £86m of the latter figure relates to the UK. Mr. Robin Leigh-Pemberton, chairman of NatWest, said about 70 per cent of the increased provision relates to lending to UK manufacturing industry.

Increases in the bad debt provisions of the big banks do not necessarily reflect loans which will never be recovered. Yesterday's announcement shows NatWest "recovered" *£32m in 1980 in* respect of bad debts previously written off, against £26m in 1979.

In addition, the charge against group profits includes an extra £11m in respect of a "general bad debt provision" which many accountants and some bankers consider unnecessary.

On Friday, Lloyd's announced it was increasing its dividend by 20 per cent.

Details, Page 16

Soviet gas credit terms in doubt

BY KEVIN DONE IN FRANKFURT

THE ABRUPT changes in the West German financial markets in the last fortnight and the sharp rise in interest rates appear to be evoking fresh doubts among some German bankers about the terms of the DM 10bn (£2.11bn) credit being negotiated with the Soviet Union to help finance a natural gas pipeline from Western Siberia to Western Europe.

The 10-year credit is being arranged to finance the export of West German pipes and pipeline equipment such as gas turbine compressor stations as part of a DM 20bn deal to bring 40bn cubic metres of natural gas a year to West European countries including France, Belgium, Holland, Italy and Austria. This is due to start in the mid-1980s.

The loan will be largely covered by an export credit guarantee and will be paid off in natural gas supplies.

If the project is realised in its present form it will be the biggest ever East-West business deal.

Members of the consortium of more than 20 West German banks which are arranging the 40bn loan met in Frankfurt yesterday under the chairmanship of Deutschebank to discuss the conditions which were agreed in principle.

The Soviet Union has been pressing hard throughout the negotiations for interest rates considerably below market levels. The rise in interest rates in recent days, however, taking yields on long-term bonds well over 10 per cent, has made some West German banks more reluctant to make concessions.

Reagan expresses interest

Continued from Page 1

"I wouldn't try to guess what is in their thinking. But let's just say I found it very interesting." He denied he wanted to delay any summit: "I don't think it's a case that we'll obviously and intentionally be dragging our feet. This isn't something you say 'Let's come over and talk'."

But Mr. Reagan did say he thought Soviet support for insurgents in El Salvador "should be straightened out" with the Russians, both before and, if necessary, during a summit.

Mr. Reagan said he had no intention of getting involved in a Vietnam-type situation in El Salvador—the apparently consuming passion of his foreign policy at present.

"But there is no question we are in support of the government there."

In the past 72 hours a number of administration officials, including Mr. Alexander Haig, the Secretary of State, have warned that the U.S. is ready to go to great lengths to stem the flow of arms to the insurgents in El Salvador, which the U.S. believes is orchestrated by Cuba at Soviet instigation.

Yesterday, a State Department official said latest intelligence reports had found a lull in arms shipments to El Salvador. But the U.S. might find it necessary to send additional U.S. military advisers to the 20 already helping the military junta.

One sanction the administration is believed to be considering is a naval blockade of the seas off El Salvador and Nicaragua, which the U.S. says is serving as a conduit for arms shipments.

Weather

UK TODAY

Cloudy, some rain or snow, cold.

S., E. and N. England, E. Anglia, E. Midlands, E. Scotland, Shetland

Dry, sunny intervals, cold. Max. 4C (39F).

W. Midlands, Channel Isles, W. England, Wales, I. of Man, S., W. and N. Scotland, Orkney

Cloudy, some rain falling as snow on higher ground. Little below normal. Max. 7C (45F).

Outlook: Mainly dry, cold, overnight frost, some rain in west.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	C	10	50	London	S	3	37
Algiers	S	18	64	L. Ang.†	C	12	54
Amsdm.	C	0	32	Luxmbg.	F	−2	28
Athens	C	10	50	Luxor		—	—
Bahrain	F	23	73	Madrid	S	10	50
Barclna.	F	13	55	Majorca	S	15	59
Beirut	T	13	55	Malaga	S	17	63
Belfast	F	4	39	Malta	S	14	57
Belgrd.	C	4	39	M'chstr.	C	3	37
Berlin	C	2	36	Melbne.	S	25	77
Biarritz	C	8	46	Mx. C.†		—	—
Bmghm.	S	1	34	Miami†	F	12	54
Blackpl.	S	3	37	Milan	S	7	45
Bordx.	C	6	43	Montrl.†	R	4	39
Boulgn.	C	1	34	Moscow	S	−3	27
Bristol	S	4	39	Munich	F	2	36
Brussels	F	−1	30	Nairobi	F	30	86
Budpst.	C	5	41	Naples	S	2	36
Cairo		—	—	Nassau		—	—
Cardiff	F	3	37	Nwcstl.	R	2	36
Cas'b'ca	S	17	63	N York†	C	9	48
Cape T.	C	25	77	Nice	F	11	52
Chicg.†	C	2	36	Nicosia	C	15	59
Cologne	S	0	32	Oporto	S	13	55
Cpnhgn.	C	2	36	Oslo	Sn	−2	28
Corfu	F	10	50	Paris	C	14	57
Denver†	F	4	39	Perth	S	29	84
Dublin	C	6	43	Prague	C	3	37
Dbrvnk.	C	10	50	Rykjvk.	Sn	−1	30
Ednbgh.	S	3	37	Rhodes	F	15	59
Faro	S	15	59	Rio J'o†		—	—
Florence	F	0	32	Rome		—	—
Frankft.	F	1	34	Salzbrg.	S	2	36
Funchal	S	18	64	S F'cisc†	C	10	50
Geneva	F	3	37	S'tiago†		—	—
Gibraltar	S	18	64	Stckhm.	Sn	0	32
Glasgow	S	3	37	Strasbg.	F	2	36
G'rnsey	F	4	39	Sydney	S	24	75
Helsinki	Sn	−4	25	Tangier	S	16	61
H. Kong	C	21	70	Tel Aviv	C	16	61
Innsbrk.	F	1	34	Tenerife	F	14	57
Invrnss.	S	2	36	Tokyo	C	4	39
I.o.Man	C	4	39	T'ronto†	C	1	34
Istanbul	R	6	43	Tunis	F	15	59
Jersey	S	5	41	Valencia	S	16	61
Jo'burg	F	24	75	Venice	S	0	32
L. Plms.	S	19	66	Vienna	C	3	37
Lisbon	S	12	54	Warsaw	S	2	36
Locarno	F	13	55	Zurich	S	2	36

C—Cloudy. F—Fair. R—Rain. S—Sunny. Sn—Snow. T—Thunder.
† Noon GMT temperatures.

Spanish Government regains control

Continued from Page 1

...action still believing that General Milans del Bosch was behind ... The latter at just after ...t, following the King's ... to the nation, revoked ...litarisation of the ...region instigated five ...r.

...icate negotiations ...o agreed to surrender ...y before midday. ...emand for dissolution ...nent and the establishment of a military junta ...n was eradicated ... scaled down. He ...ing taken to the ...eadquarters, that he alone he regarded responsible for the action and that no photographs be taken as he left the Parliament building.

His last words before leaving Parliament were: "You (the deputies) are leaving here alright. Nothing will happen to you. The only thing I know is that I'm going to serve 30 to 40 years in prison." Then in a calm voice the Speaker of the House, Sr. Landelino Lavilla said: "Parliament will resume normal business at midday tomorrow with a full session. Please file out by rows calmly."

The deputies who had not shaven, washed or had anything substantial to eat and had been starved from outside contact save for one radio, staggered out into the clear sunshine of midday Madrid. They were greeted by crowds of wellwishers and newsmen. Some were crying. Others were shaking with emotion.

Large crowds were held back *at some distance* from the Parliament building by a massive police cordon. Some shouted in favour of the army but most cried: "Long live freedom." Some scuffles were broken up by the police

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